amplifon

ANNUAL REPORT 2019

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INDEX

Translation from the original text in Italian

LETTER TO SHAREHOLDERS

2019, fifth year of record results thanks to strong execution capabilities

Dear Shareholders,

2019 was year of great success: once again we closed the year with record financial results which confirm the sustainability of our business, the validity of our strategy and our strong execution capabilities.

> We reached all-time high revenues and EBITDA[1] which grew respectively 27.1% and 28.8% to 1,732.1 and 301.2 million euros compared to the previous year. Recurring net profit[1] reached 132.7 million euros, an increase of 23.9% compared to 2018.

Our outstanding revenues performance was driven by strong organic growth – above the market and accelerating in the second half of the year – and by the extraordinary contribution of acquisitions.

The latter was fostered by both the consolidation of GAES – the largest acquisition in our history – as well as the bolt-on acquisitions carried out mainly in France and Germany. Recurring EBITDA exceeded the 300-million-euro threshold, with a margin on revenues of 17.4%, improving compared to 2018 even after the consolidation of GAES, whose initial profitability was below the group average.

Finally, also the balance sheet and financial indicators show excellent results with free cash flow reaching the record 150-million-euro mark, supporting a strong improvement in net financial debt and financial leverage.

> There is much more beyond the figures. 2019 was, in fact, the first year of the GAES integration and we completed its initial and most complex phase faster and with better results than initially expected.

Indeed, GAES's growth in 2019, both in terms revenues and profitability, was above initial expectations also due to the synergies achieved in the top end of the range previously disclosed.

> In 2019 we have also extended the roll-out of our Amplifon Product Experience – which comprises the new Amplifon product line and the Amplifon multichannel ecosystem – from Italy to France, Germany, the Netherlands, the United States and Australia with excellent results.

At the end of 2019 the penetration rate of the Amplifon Product Line in Italy was over 90%[2] and we plan to achieve similar results within 12 months from the launch in the countries where the Amplifon Product Line was rolled-out in 2019.

Moreover, the penetration rate of the Amplifon App at the end of 2019 was around 15%, representing a huge potential in terms of data: thanks to it we will gain access to information

[1] Recurring data without the application of IFRS 16 for the sake of effective comparison with 2018 figures.
[2] Private and paid-up market.

on our customers' hearing aids usage, which we may use to create an even more personalized experience in order to satisfy and anticipate even more the needs and expectations of our customers.

Furthermore, in February 2020, consistent with our strategy to further strengthen our position in our core markets, we finalized the acquisition of Attune Hearing in Australia, the largest independent hearing healthcare player in Australia.

Lastly, we mention the continuous trust shown by the financial community towards us, which is testified both by our listing on the Stoxx Europe 600 index since June – following the listing on the FTSE MIB since the end of December 2018 – as well as by the successful placement of non-convertible bond notes for 350 million euros with 7-year maturity.

We conclude by reminding that as far as the communication to our stakeholders is concerned and with the aim of providing transparent and thorough information, Amplifon presents also this year its fourth Sustainability Report, in the form of Non-Financial Consolidated Statement in accordance with Italian Legislative Decree No 254/2016, which illustrates the Company's commitment to socially responsible and sustainable growth.

We thank, therefore, all the management team of the Company and each one of our 17,000 people for their profound commitment, professionalism, and passion. Finally, we also thank our shareholders and the other stakeholders for their support and trust in our Company.

SUSAN CAROL HOLLAND
Chairperson

ENRICO VITA
Chief Executive Officer


amplifon
Welcome
to
Amplifon
usbank
stadium

TECHNOLOGY IS THE ANSWER

Always more often the answer to **human beings' great questions** are coming from technology.

We have been able to **listen** and use technology to our advantage, making our service **always closer** to people.

We are making great changes, always remaining human.

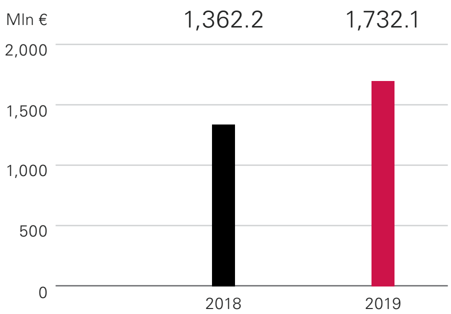
Discover how we are revolutionizing the hearing care sector.

2019 HIGHLIGHTS

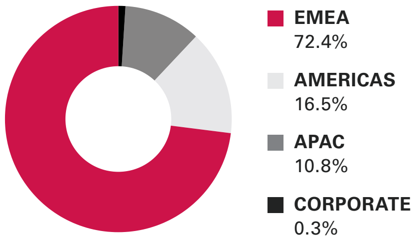
Another excellent year of proven execution

REVENUES
(MILLION EUROS)

+27.1%

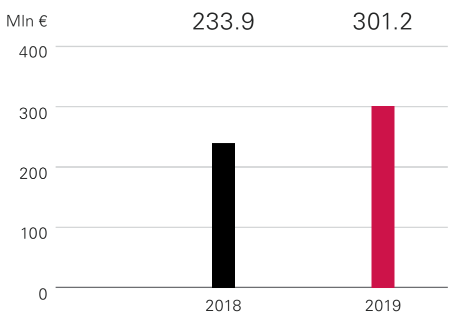


REVENUES BY REGION



EBITDA[1]
(MILLION EUROS)

+28.8%

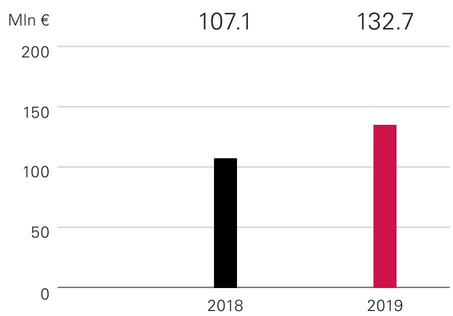


17.2% EBITDA margin

17.4% EBITDA margin

NET PROFIT[1]
(MILLION EUROS)

+23.9%

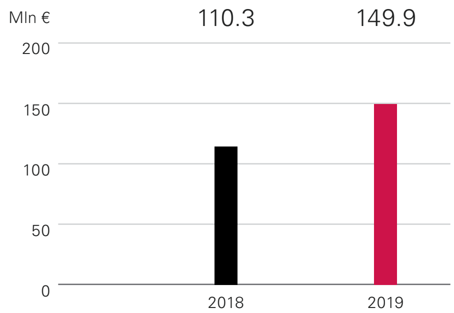


[1]Recurring data without the application of IFRS 16 for the sake of effective comparison with 2018 figures.

[2] 2019 data without lease liabilities for the sake of effective comparison with 2018 figure.

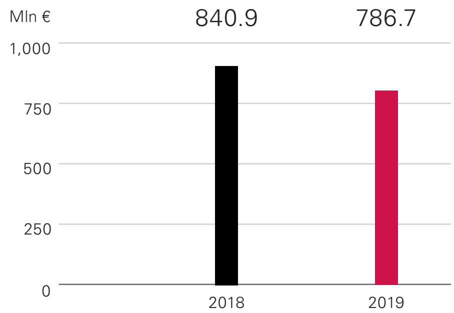
FREE CASH FLOW

(MILLION EUROS)



NET FINANCIAL DEBT[2]

(MILLION EUROS)



GLOBAL LEADER IN HEARING CARE

~11%
GLOBAL MARKET SHARE

~17,000
PEOPLE

28
COUNTRIES

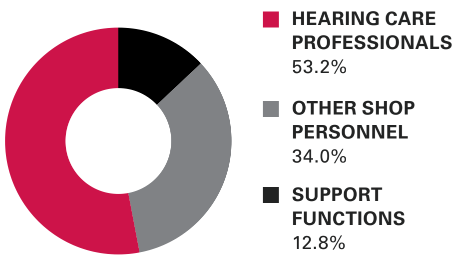
4,000
SHOP-IN-SHOPS & CORNERS

5,300
DIRECT POINTS OF SALE

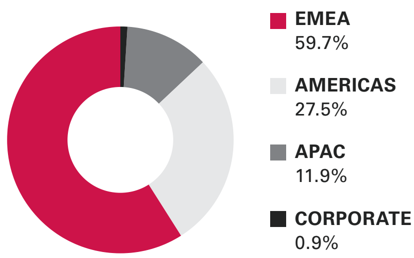
1,700
NETWORK AFFILIATES

PEOPLE[3]

BY ROLE



BY REGION



[3] On payroll and not on payroll.

KEY EVENTS

Impeccable execution of a winning strategy

JANUARY – DECEMBER 2019

GAES INTEGRATION

At the end of 2018, we made our greatest ever acquisition: GAES, the largest privately-owned specialty hearing care retailer worldwide. During 2019, we carried out with great efficiency its integration which led to the appointment of a new management team, the alignment of commercial and procurement practices, the rebranding of over 700 points of sale and the sharing of best practices between the two organizations. All this contributed to the double-digit revenue growth reported in Spain in 2019.

JUNE 24TH, 2019

ENTERING THE STOXX EUROPE 600 INDEX

Amplifon shares are listed on the Electronic Stock Exchange (MTA) of the Italian Stock Exchange since 2001, part of the STAR segment of the Italian Stock Exchange since 2008 and part of the FTSE MIB since December 2018. Since June 24th, 2019, they are also part of the Stoxx Europe 600 index.

JULY 30TH, 2019

AIMING HIGH: EBITDA MARGIN HIGHER THAN IN 2018

Following an extremely positive first half of the year, characterized by solid organic growth as well as by the extraordinary contribution from acquisitions, mostly driven by GAES, we provided guidance of achieving a recurring EBITDA margin in 2019 higher than in 2018, even after the integration of GAES.

MAY – NOVEMBER 2019

AMPLIFON PRODUCT EXPERIENCE IN 6 COUNTRIES

Provided the excellent results reached by the Amplifon Product Experience in Italy, where it was launched in May 2018, we started the roll-out in other five countries in 2019: France, Germany, the Netherlands, US and Australia. Our strong customer experience innovation program, which combines the Amplifon product line and our multichannel ecosystem, places us in the forefront of digital technologies and allows the use of big data to be always more efficient in personalizing customers' experience.

OCTOBER 30TH, 2019

INCREASING SYNERGIES

The excellent progress of the GAES integration process and the results reached in Spain both in terms of organic growth and profitability in the first nine months of the year – well above initial expectations – allowed us to raise the estimated run-rate synergies at EBITDA level from 2021 from the 20-25 million euros initially disclosed to around 25million euros.

JANUARY - DECEMBER 2019

A SINGLE GLOBAL CLOUD PLATFORM

In 2019 we standardized the operating model of all countries by means of a single integrated global cloud platform. The implementation of our new ERP system allowed us to simplify the way tasks are performed by our people, harmonize operational processes within the group and optimize decision-making processes.

EVENTS SUBSEQUENT TO DECEMBER 31ST, 2019

ACQUISITION OF ATTUNE HEARING

In January 2020 we announced the acquisition of Attune Hearing in Australia which was then completed in February. Attune is Australia's largest independent hearing healthcare player with 55 points of sale. The transaction perfectly fits our strategy aimed at further strengthening the company's position in the core Australian market, complementing National Hearing Care retail business with Attune's integrated medical model.

PLACEMENT OF BOND ISSUE FOR €350 MILLION

On February 5th, 2020 we successfully placed non-convertible bond notes for 350 million euros with 7-year maturity. The strong interest from the market - with orders of over 3 billion euros – confirms once again a positive attitude towards Amplifon. With this transaction we further strengthen our financial structure, enhancing our flexibility, extending our average maturity and diversifying our sources of funding.


GAES

WE ARE INTEGRATING GAES

WHAT'S NEW?

After the acquisition of **GAES** in December 2018, we have carried out its **integration process**.

WHAT DOES IT MEAN AND FOR WHOM?

Beginning this year, everyone in **Spain** and other six countries in **Latin America** can count on our innovative and personalized service.

Moreover, the integration and consolidation of GAES represent a unique opportunity for all our employees and customers thanks to the extraordinary potential to further develop our Group, generating synergies and creating significant value to our shareholders.

WHY HAVE WE DONE IT?

GAES perfectly fits Amplifon's growth strategy. It allowed us to consolidate our world leadership, which reached around **11% of the global hearing care retail market**, to become the undisputed market leader in Spain, as well as to strengthen our market position in Portugal while entering the Latin American region, further diversifying our geographic footprint.

HISTORY

Innovation and service, since 1950

1950
FOUNDATION

Algernon Charles Holland founds Amplifon in Milan to provide hearing solutions for people experiencing hearing loss after the World War II.

1971
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.

2010
A NEW GLOBAL DIMENSION

With the acquisition of National Hearing Care (NHC), we expand our activities to Australia, New Zealand and India. In 2014, we are present in 22 countries.

2015
NON-STOP GROWTH

We continue to grow, and our revenues exceed the billion-euro threshold in 2015 thanks to a solid strategy, careful planning, and strong execution.

2018
STRONG INNOVATION AND CONTINUOUS EXPANSION

We pursue a strong technological innovation program in the customer experience with the launch of the Amplifon product line and proprietary multichannel ecosystem in Italy. We further consolidate our global leadership position with the acquisition of GAES, the largest privately-owned specialty hearing care retailer worldwide, and enter the Chinese market.

90'S
INTERNATIONALIZATION

In the early 90's, we begin our expansion in Europe and in 1999, with the acquisition of the market leader Miracle-Ear, we enter the North American market, strengthening our international leadership.

2001
LISTING ON THE STOCK EXCHANGE

On June 27th, 2001, we are listed on the Italian Stock Exchange and, in 2008, we become part of the STAR segment, for stocks committed to complying with stricter requirements. Then, in 2018, we enter the FTSE-MIB Index, and, finally, in 2019 we become part of the Stoxx Europe 600 index.

2000'S
CONTINUOUS EXPANSION

In addition to strengthening our presence in core markets such as the USA, the Netherlands and France, we also enter Canada, Hungary, Egypt, United Kingdom and Ireland, Belgium and Luxembourg.

2019
PERFECT EXECUTION OF A WINNING STRATEGY

We successfully roll-out the Amplifon Product Experience in France, Germany, the Netherlands, US and Australia, leveraging on data, brand, as well as an impeccable and decidedly personalized service. Additionally, the GAES integration process continues with results well above expectations.

OUR PURPOSE

We empower people to rediscover all the emotions of sound.

OUR MISSION

We transform the way hearing healthcare is perceived and delivered worldwide, making it a natural choice for people to seek the superior care and expertise of our hearing care professionals.

We strive to understand the unique needs of every customer, delivering the very best solutions and an outstanding experience.

We attract, develop and empower the most talented people, who share our ambition to change the lives of millions of people across the world.

OUR VALUES

Customer Devotion
We serve our customers' best interests with passion and seek to surprise them by always going the extra-mile.

Personal Impact
We empower our people to think freely, perform and succeed, working together to make a lasting difference.

Everyday Excellence
We take accountability for setting and delivering the highest standards of quality, and never give up.

Forward Thinking
We listen to the world around us and embrace every challenge with the ambition to learn, grow and innovate with speed and agility.

Acting Responsibly
We do well by doing good, acting with true integrity, and showing respect to everyone, every time.

STRATEGY

Our strategy is based on three key pillars: redefining customer experience thanks to our data-driven approach, consolidating our leadership across core markets worldwide, and building an even more efficient and talented organization.

INNOVATIVE AND DISTINCTIVE CUSTOMER EXPERIENCE

Our growth strategy is built around the customer, to whom we offer a distinctive and highly innovative customer experience, also by means of our new Amplifon product line and multichannel ecosystem. By leveraging on unique and distinctive assets such as the data we own, the strength of our brands and the close relationship with our customers, we aim to transform the retail hearing care market thereby opening up new business and value creation opportunities.

STRENGTHEN LEADERSHIP IN CORE MARKETS

Our growth strategy is differentiated according to the countries in which we operate, and focuses on the core global markets: Italy, Spain, France, Germany, the US, Canada, Australia, New Zealand and China. These markets together make up around 80% of the retail hearing care market. We intend to continue to grow on mature markets, through organic growth and through targeted acquisitions mainly in France and Germany. Among the developing markets, China represents a sizeable opportunity for our medium-term growth path.

EFFECTIVE AND TALENTED ORGANIZATION

In order to support the implementation of our strategy, we will continue to invest in our people and in a distinctive corporate culture, as well as in attracting the best talents, sharing best practices within the group, always leveraging on our globally integrated IT infrastructure, thus creating a more effective organization.

STRENGTHS

Our global leadership and seventy-year-long history allow us to be the best at interpreting the needs of people who won’t settle for anything else apart from living life to the full.

STRONG COMPETENCIES

Our over 9,000 hearing care specialists perform hundreds of thousands of hearing tests and keep up to date by completing 300,000 hours of training each year. They bring together innovation, scientific knowledge and a highly personalized approach following the exclusive Amplifon 360 protocol to ensure an excellent customer experience.

UNMATCHED BRANDS

Our portfolio of strong, well-known brands allows us to drive real cultural change in the sector, redefining the way in which customers relate to their hearing well-being. United under the Amplifon brand, all of our trademarks invite people to enjoy unique experiences.

INNOVATION

Our attitude of always looking ahead and pushing our limits, leads us to experiment with innovative technologies to develop high value-added services. The Amplifon multichannel ecosystem enables data mining activities, thus allowing us to further differentiate the customer journey and the experience we offer.

GLOBAL DIMENSION

Our global distribution network, interconnected through our databases, lets us stay close to our customers, share excellence among our hearing care specialists in 28 countries and diversify exposure to different markets.

EMPLOYER OF CHOICE

We are the employer of choice thanks to our corporate culture, constant investment in our talent and incentives to professional development, also through assignments within global projects.

SCIENTIFIC LEADERSHIP

Amplifon's Centre for Research and Studies is a specialist partner for the medical and scientific community in the fields of audiology and ENT since 1971. Its prestige is linked to the contribution of internationally recognized experts, whose innovative contribution is fundamental for the continuous theoretical and practical development of the medical community.

MARKET

The global retail hearing care market is estimated at around 15 billion euros in 2019 and is expected to continue to grow by around 4% each year. We are the global leading company specialized in hearing care service operating in a highly fragmented, although consolidating retail market.

HEARING LOSS

We live in a constantly evolving, dynamic world where hearing is one of the key factors for cognitive development, social interaction and an active lifestyle. That is why it's crucial to take care of our hearing as soon as possible. Sadly, on average, 7 years go by before people take action and approach a hearing care professional.

In most cases, hearing loss is not drastic, but occurs gradually without us perceiving exactly how much it has changed. However, it can also happen suddenly after exposure to loud noises or infections. Unfortunately, unlike skin or liver cells, auditory hair cells cannot regenerate.

LEVELS OF HEARING LOSS[4]

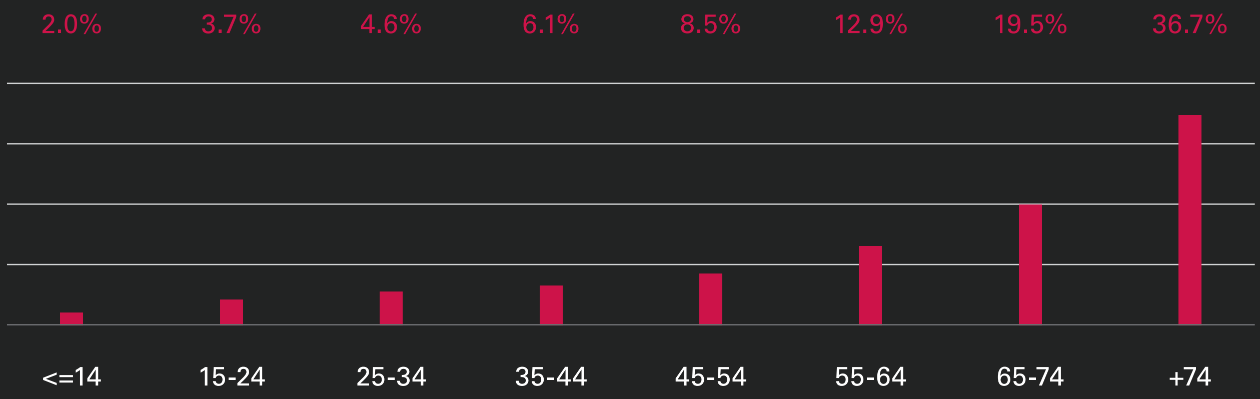
MILD	Trouble hearing conversations from one room to another, as well as in noisy environments such as busy restaurants (26-40 dB).
MODERATE	Trouble understanding what is being said even if the person speaking is close by. Words and sentences have to be repeated, said more slowly, and concepts have to be rephrased. Even listening to the radio or TV becomes difficult (41–60 dB).
SEVERE	Most speech is not understood, and it is increasingly difficult to follow conversations. Only very loud sounds, such as ambulance sirens and noisy traffic, are perceived (61–80 dB).
PROFOUND	Almost no more sounds can be heard (>81 dB).

Currently approximately 15% of the world's adult population has some level of hearing loss[4]

Of these, it is estimated that around 460 million have at least moderate hearing loss, which therefore affects their quality of life. Due to the increase in life expectancy of the global population and the increase in noise exposure, this number is likely to double by 2050.

[4] World Health Organization.

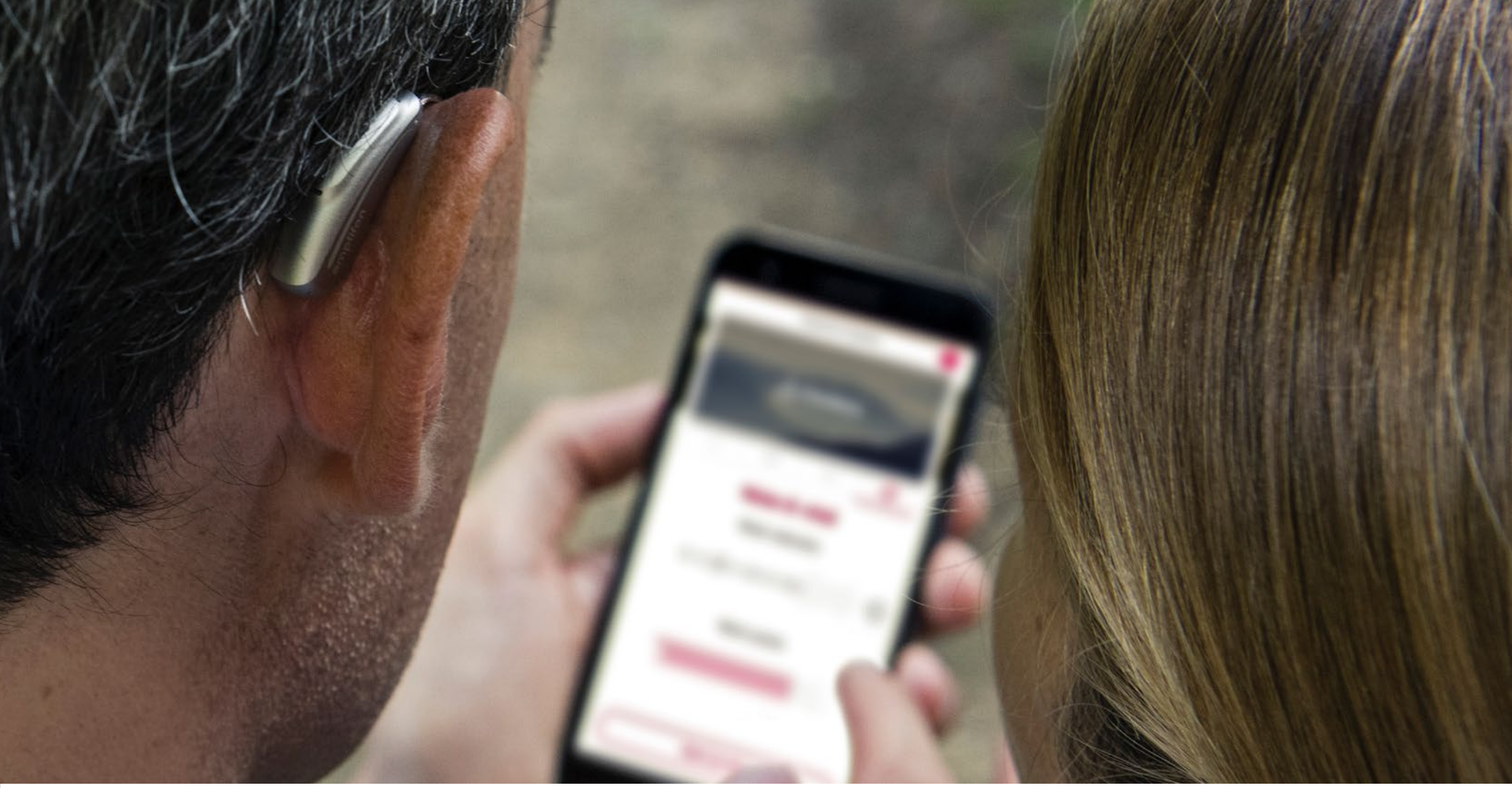
HEARING LOSS PREVALENCE BY AGE[5]



HEARING SOLUTIONS ADOPTION RATE IN DEVELOPED MARKETS[6]

[5] EuroTrak 2018.

[6] World Health Organization, EuroTrak, MarkeTrak, Amplifon data 2018 - markets where Amplifon is present.



KEY RETAIL TRENDS

There are numerous trends pushing the hearing care industry towards a more inclusive and technologically advanced future. We hold a privileged position that allows us to anticipate these trends and guide the way in which they develop.

› LIFE EXPECTANCY

We are all aware of the increase in life expectancy. By 2050, the number of people aged over 65 will double, and in the next 5 years, for the first time in the history of mankind, this number will be higher than the number of children aged under 5 years.

› ACTIVE LIFESTYLE

We have a much longer life expectancy than the previous generations and our quality of life is much higher. The so-called active agers represent a new generation that won't compromise on quality of life as the years go by.

› TECHNOLOGY

Advances in technology such as miniaturization, connectivity and rechargeability contribute towards the consumerization of hearing devices. Thus, more and more people decide to take care of their hearing.

› DIGITALIZATION

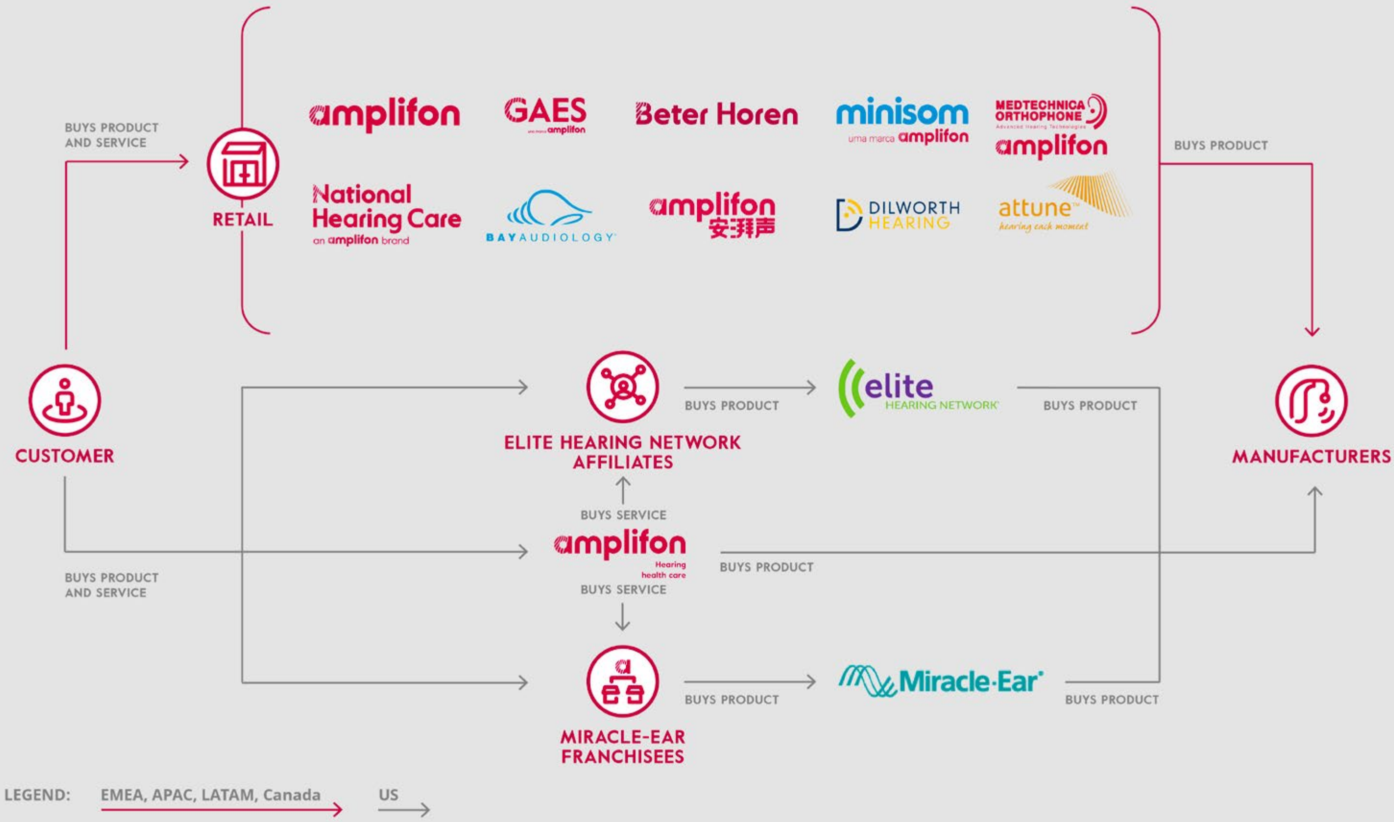
The use of digital devices, such as smartphones and tablets, is rapidly increasing also among seniors. This makes it possible to offer personalized and interconnected services with added value through new touchpoints such as apps.

GLOBAL OPERATIONS

In all markets, it is the customer experience we offer that makes our service stand out. Wherever we are, we draw on innovative technologies, extensive technical expertise and, above all, empathy: those who choose us have a totally unique and personalized experience.

BUSINESS MODELS

We operate by means of 4 business models in the various geographical regions: Business-to-Consumer in EMEA, APAC and AMERICAS; and Franchising, Managed Care and Wholesale which are present only in the United States.



We are retailers. This means staying continuously in contact with people, listening to their needs and getting to know their expectations.

The success of the hearing solution, and thus the improvement in the ability to hear and communicate, relies above all on the skills of the hearing care specialists to perform hearing tests, select the most suitable devices, correctly fit them and make the most of hearing aid technology, based on the single person's needs.

BUSINESS-TO-CONSUMER

In EMEA, APAC, Latin America and Canada we adopt the Business-to-Consumer model, thus serving our customers through direct points of sale, namely corporate shops or shop-in-shops and corners.

› CORPORATE SHOP

Corporate shops are managed by Amplifon staff or non-employees who work on commission on behalf of the company.

› SHOP-IN-SHOP & CORNER

Shop-in-shops and corners are spaces located in third-party points of sale such as pharmacies, optical chains, medical clinics, where our hearing care specialists are seldom present. They are managed directly by Amplifon.

BUSINESS-TO-BUSINESS

In the Unites States we follow two different Business-to-Business models.

FRANCHISING (MIRACLE-EAR)

Miracle-Ear is the nationwide hearing solution franchisor that distributes branded technology and services through 1,440 franchised locations across the US. As a franchisor, Miracle-Ear is the sole distributor of hearing aids to the network and provides franchisees with the extremely well-known Miracle-Ear brand, advanced marketing tools, training and value-added services, enabling them to do their work independently according to our strategic guidelines.

WHOLESALE (ELITE HEARING NETWORK)

Elite Hearing Network operates in the wholesale business providing hearing aids and, moreover, a wide spectrum of services to independent health care providers including private practice audiologists, ENT physician practices, large hospital system providers and hearing instrument specialists. The service offering is key to retain current customers and acquire new ones and includes, among others, marketing support, staffing services, business intelligence, digital solutions and services. Members of Elite Hearing Network are around 1,600 affiliated locations which run their activities under their own brands while having access to a broad portfolio of hearing aids, peer-to-peer insights, services and dedicated business consultants.

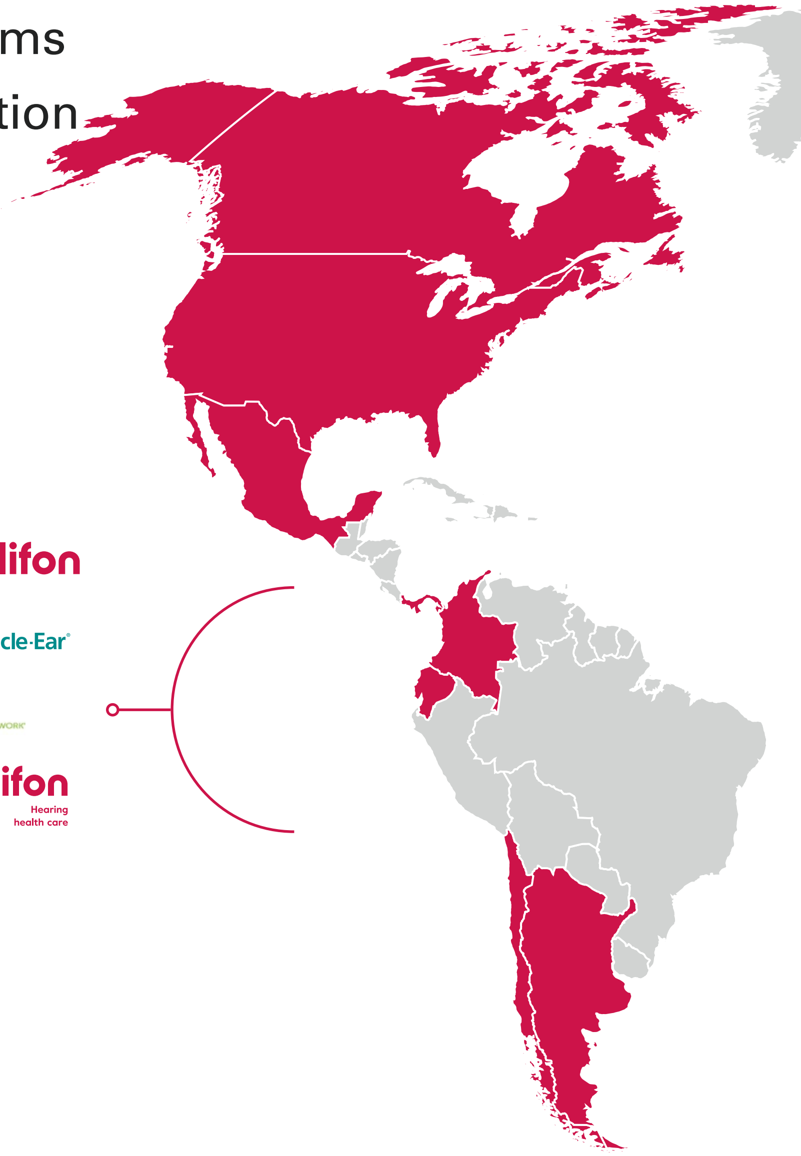
MANAGED CARE

AMPLIFON HEARING HEALTH CARE

Amplifon Hearing Health Care is an important independent player in the American managed hearing care market. It works with health plans to provide high-quality, affordable hearing care insurance and benefits to their members. Through Amplifon Hearing Health Care, health plan members have access to the broadest US-wide network of high-quality hearing providers, complete lines of hearing devices, and personalized support from a team of patient care advocates. AHHC distribution network comprises Miracle-Ear, Elite Hearing Network affiliates and other independent retailers.

DISTRIBUTION NETWORK

We are global leader in terms of volumes, sales, distribution network, and geographic coverage.

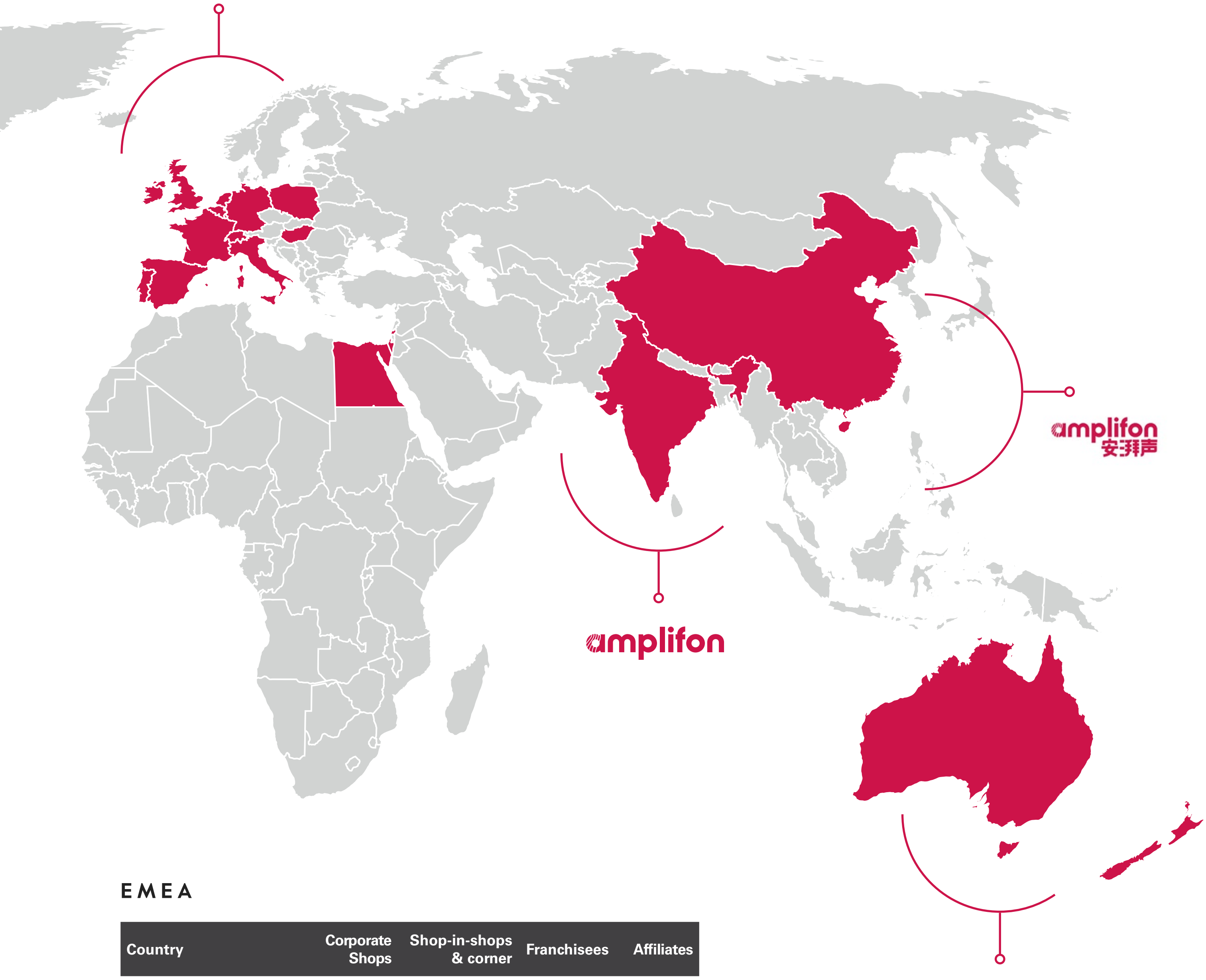


AMERICAS

We operate under three regions – in EMEA, Americas and APAC.

Each of them corresponds to a business area and is responsible for pursuing the company's strategy at local level and for sharing its know-how among the various countries.

Country	Corporate Shops	Shop-in-shops & corner	Franchisees	Affiliates
USA	59	-	1,445	1,631
Canada	71	-	-	-
Argentina	20	-	5	-
Chile	31	-	-	-
Colombia	8	-	1	-
Ecuador	13	-	7	-
Mexico	9	-	4	-
Panama	2	-	-	-
AMERICAS	**213**	**-**	**1,462**	**1,631**



EMEA

Country	Corporate Shops	Shop-in-shops & corner	Franchisees	Affiliates
Italy	668	3,123	-	
France	591	132	-	-
Germany	535	-	-	-
Netherlands	166	50	-	-
Spain	588	131	28	-
UK & Ireland	130	98	-	-
Switzerland	99	-	-	-
Belgium & Luxembourg	90	59	10	-
Hungary	81	-	-	-
Portugal	72	99	-	-
Poland	57	-	-	-
Egypt	29	-	-	-
Israel	24	-	-	49
EMEA	**3,130**	**3,692**	**38**	**49**

APAC

Country	Corporate Shops	Shop-in-shops & corner
Australia	206	115
New Zealand	108	30
India	72	148
China	44	-
APAC	**430**	**293**

WE ARE MAKING LIFE BETTER

WHAT'S NEW?

We are rolling-out the **Amplifon Product Experience**, which combines the **Amplifon 360** protocol, the **Amplifon Product Line** and our **multichannel ecosystem**.

WHAT DOES IT MEAN AND FOR WHOM?

We make **every single customer**'s experience **always more personalized** thanks to our continuous data collection. This huge amount of information allows our **hearing care professionals** to fully understand each person's needs and **offer the best service, ensuring the highest level of satisfaction**.

WHY HAVE WE DONE IT?

The deeper our customer knowledge is, the better is the service we offer, always with the aim of delivering a **unique and distinctive customer experience**. And we go be beyond that, we use our customer knowledge to refine our interactions and **make people's lives better**.

INNOVATION AND TECHNOLOGY

AMPLIFON PRODUCT EXPERIENCE

Our aim is to open new frontiers in the hearing care retail market by means of a customer-centric strategy, leveraging our key assets: our brands, the profound relationship with our customers, our data and an engaging technological innovation program.

The two pillars of our innovation program are the new Amplifon product line and the Amplifon multichannel ecosystem. These two elements combined make the Amplifon Product Experience, which was successfully launched in Italy, France, Germany, the Netherlands, US and Australia, and will be launched in other core countries during 2020.

The Amplifon Product Experience represents a unique and distinctive lever to further strengthen our brand identity, significantly differentiate our service from the competition and offer a complete value proposition to our customers, made of product, service and experience.

SOLUTION'S FOR EVERYONE'S NEEDS

We selected the most advanced technologies from the best manufacturers to develop our four product families that adapt to every lifestyle.

AMPLI-EASY
The **ampli-easy** product family is powerful, practical, affordable and easy to use. For everyday life, having a giggle with friends, walking in the park, or watching a good film.

AMPLI-MINI
The **ampli-mini** devices are extremely discreet and almost invisible thanks to miniaturized technology. Perfect for those who seek a discreet solution and want to feel elegant without compromising on comfort.

AMPLIFON MULTICHANNEL ECOSYSTEM

The Amplifon multichannel ecosystem, of which the Amplifon App represents the first touchpoint, redefines the Amplifon experience through the entire customer journey (thus not only in the store), offering fast access to differentiated and value-added services to further increase customer satisfaction.

THE AMPLIFON APP

A true technological revolution: the smart app for an easier life.

The Amplifon App is a person's first contact with the Amplifon ecosystem: it allows you to manage the device functions in real-time directly from your smartphone, besides booking an appointment with your hearing care specialist and much more.

The **Companion** function is exclusive to the Amplifon App. It processes and analyses hearing device usage data in real-time using an artificial intelligence algorithm and, through a predictive model, gives suggestions on battery replacement or the most suitable program for the surrounding circumstances. Available throughout the entire life span of the chosen device, the Companion is a fundamental support, particularly when first using the device.

AMPLI-CONNECT

The **ampli-connect** product family connects directly to your TV, smartphone and sound system. They automatically recognize the environment and the microphones point towards the direction of the sound. They also connect to the Amplifon app via Bluetooth.

AMPLI-ENERGY

The **ampli-energy** devices are a perfect combination of practicality and style. No more changing batteries, the devices can be recharged using a charger and have up to 30 hours of battery life.

AMPLIFON 360

We build relationships with our customer through the actively listening of our hearing care specialists and by using technology with a data-driven approach so we can provide an unforgettable experience.

Our 70-year experience and innovative drive made it possible to define Amplifon 360: an innovative and personalized journey that is the beginning of a close collaboration between the hearing care specialist and every single individual.

Amplifon 360[7] is our proprietary protocol that integrates pioneering methods and instruments to assess the quality of hearing.

[7] Available in most countries of operation.

[8] Multichannel ecosystem available in Italy, Germany, France, United States, Australia and Netherlands.

1 › IDENTIFYING NEEDS

The hearing care professional identifies people's hearing needs, passions and habits by working together to create a personal profile through a simple yet effective interview.

2 › ASSESSING PERCEPTION

Through targeted questions, the hearing care professional understands how each person perceives the quality of their own hearing in different environments and in different situations.

3 › 360 DEGREE HEARING TEST

Thanks to advanced equipment and our hearing care professionals' training, it is possible to carry out a full, in-depth check-up free of charge through a series of physical tests to evaluate: the quality of hearing, noise tolerance, as well as word comprehension in quiet and in noisy environments.

4 › SHARING RESULTS

After collecting all the necessary information, the results of the various tests are gathered together and compared with the person's initial perceptions.

5 › CUSTOMIZING THE SOLUTION

Our experts suggest the most suitable solution. This is when the fitting takes place and the device is adjusted using computerized systems to bridge the gap towards the hearing profile outlined by the tests.

During the 30-day free trial period[7], intermediate checks and hearing aid adjustments are carried out to perfect the selected solution. The Amplifon App[8] is a valid ally when adopting the solution as it provides personalized daily assistance.

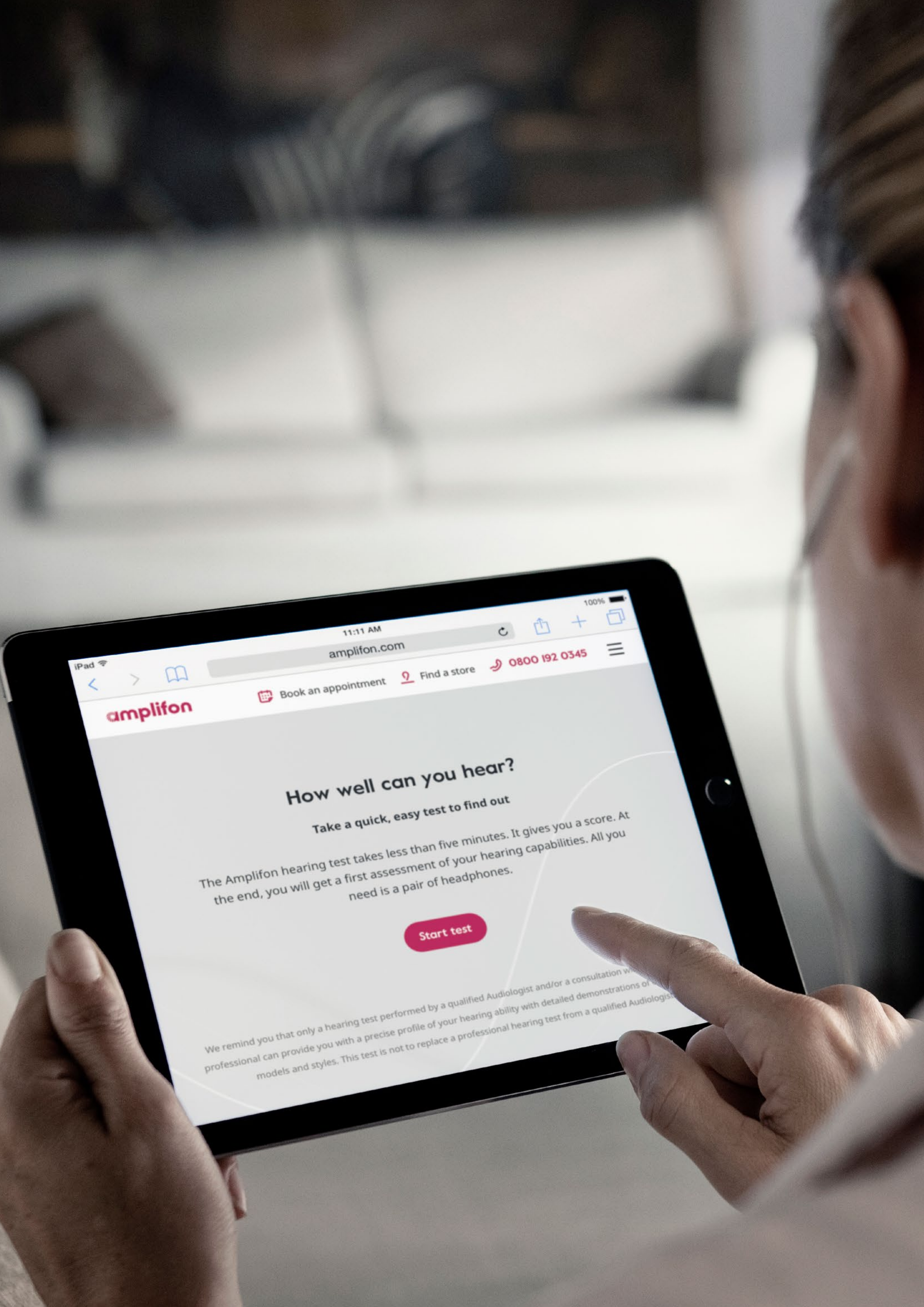
6 › FOLLOW-UP & CONTINUOUS SUPPORT

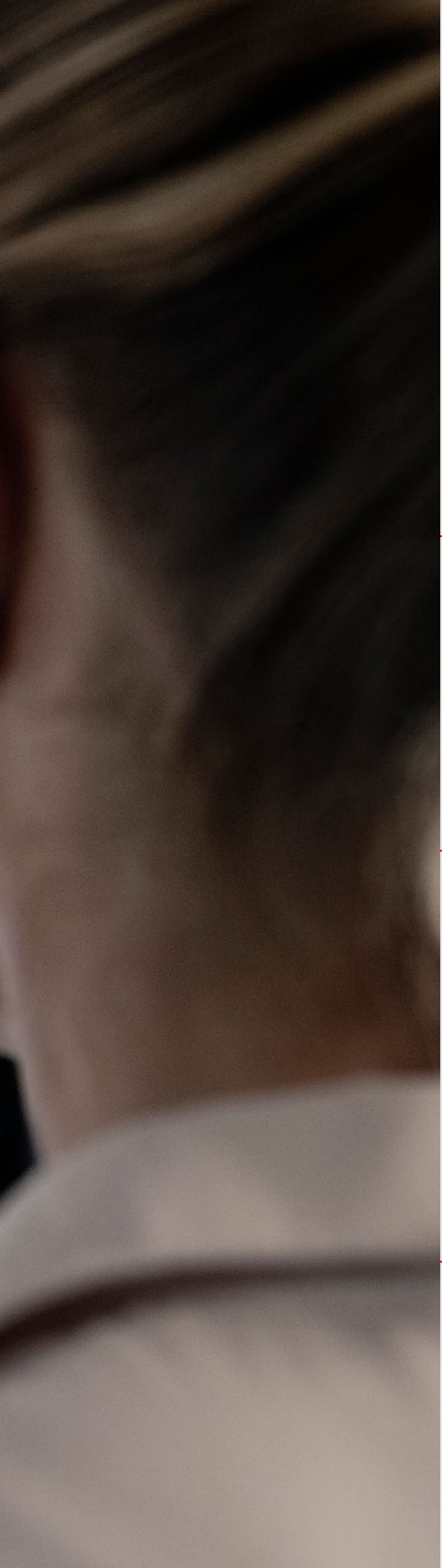
Amplifon experts are always available to discuss the benefits obtained and the level of satisfaction with each person.

A successful journey is also the result of optimizing hearing aid settings. Amplifon 360, in fact, includes free assistance for an unlimited period of time, with periodic meetings to check, adjust and clean the devices. Each person lives in a real, protected ecosystem in which they can feel at ease and benefit from continuous support, also making use of the data and feedback from the Amplifon App[8].

7 › REPURCHASING

Hearing aids last 4–5 years on average. After this period, customers are naturally keen to continue the relationship of trust established with Amplifon, repeating all the previous stages.


iPad
11:11 AM
100%
amplifon.com
amplifon
Book an appointment
Find a store
0800 192 0345
How well can you hear?
Take a quick, easy test to find out
The Amplifon hearing test takes less than five minutes. It gives you a score. At the end, you will get a first assessment of your hearing capabilities. All you need is a pair of headphones.
Start test



WE ARE BECOMING INCREASINGLY DIGITAL

WHAT'S NEW?

We launched **10 consumer websites, a corporate website and a website fully dedicated to careers in Amplifon** with a completely new user experience and interface. Moreover, we are revolutionizing the way of working of our people by migrating our most important back-office processes and systems towards a **single global integrated cloud platform**.

WHAT DOES IT MEAN AND FOR WHOM?

In Spain, the Netherlands, UK, US, Canada, Australia and New Zealand we have made **information on hearing care more accessible**, allowing everyone to understand its importance in a quicker and simpler way. Our institutional stakeholders can now gain **deep knowledge of our mission, our commitment towards sustainability and our strategy** for the future. Additionally, our people can now **work in easier, more interconnected and efficient** way thanks to our new ERP system.

WHY HAVE WE DONE IT?

Innovating and consolidating our online presence allows us to **further strengthen our industry leadership**, while simplifying and optimizing our processes allow us to implement our strategies with greater efficiency and effectiveness.

SUSTAINABILITY

2019 was a very successful year thanks to our winning strategy. But there is much more beyond the figures.

SIAF APPROVES AMPLIFON 360

After obtaining the Italian patent that certifies the uniqueness and innovativeness of the Amplifon 360 protocol, in 2019, it was approved by the Italian Society of Audiology and Phoniatrics (SIAF). The Italian experts confirmed it is an important evolution of hearing care technique and highlighted its benefits for both people with hearing loss and hearing care professionals.

WINNING WORKPLACE

We have worked hard to further strengthen our “One Amplifon” identity also in 2019. In fact, our people have taken part in communication, engagement and change management activities also to support the new way of working stemming from the One Amplifon Transformation project, which standardizes our operating model across all the countries.

MAKE MORE POSSIBLE

In 2019 we launched our new Employee Value Proposition, which is the essence of the Amplifon brand as employer of choice. In fact, the brand line “Make more possible” refers to the impact our people have on the world by means of their work. It’s a motivating, bold, direct call to action.

ATTRACTING THE BEST TALENT

In 2019, over 70 meetings dedicated to students have been organized in Italy only. Special mention goes to the partnership with the student association AIESEC, together with other partnerships with prestigious universities. Finally, our 16 local career websites have been replaced by a single global, multibrand and multilanguage platform to create a single engaging candidate experience across the world.

THE BEST TRAINING

In 2019 we invested in over 390.000 training hour to our workforce, an increase of around 15% compared to 2018. Such increase is due to both the Acquisition of GAES and the new joint venture in China, as well as the intense training activities to our hearing care professionals and store personnel owing to the launch of the Amplifon Product Experience in Germany, France, the Netherlands, Australia and United States.

Moreover, we launched in collaboration with prestigious training institutions, our new programs LEAD the Future, LEAD the Way e RIDE the Change and relaunched aGO.

LEAD the future

Leadership Exploring And Development Program

Program destined to Country General Manager and the first line of reporting to the CEP with the aim of enhancing a shared Amplifon leadership vision and style.

LEAD the way

Leadership Exploring And Development Program

Program addressed to country leadership teams and Corporate Directors to foster strategic, leadership and cultural alignment.

RIDE THE CHANGE

RUN INNOVATION FOR DIGITAL EMPOWERMENT

Program dedicated to young talents working in support functions aiming at enhancing a culture of innovation and change, riding the wave of digital soft skills

aGO – amplifon Global Onboarding

Program designed to support the most promising new hires lay a solid basis for a successful career through the understanding of Amplifon strategy and business model.

OUR CORPORATE CITIZENSHIP PROGRAM

we care
Our Citizenship Program

In 2019, we launched "We Care", our corporate citizenship program, that gathers and values the sustainability and social inclusion initiatives carried out across the world.

FIRENZE ROCKS

In June 2019, we took part in this important music festival to raise awareness on the importance of hearing protection and listening to music responsibly. Indeed, we informed youth and music lovers about the connection between music, volume and wellbeing.

CI SENTIAMO DOPO

It is our awareness project dedicated to youngsters. In fact, in the beginning of the 2019-2020 academic year, "Ci sentiamo dopo" entered Italian schools engaging around 20,000 students from over 800 classes to promote the importance of hearing wellbeing.

AMBIZIONE ITALIA FOR INCLUSION & ACCESSIBILITY

We have joined the project launched by Microsoft Italia to develop together with other companies, institutions and associations, new projects supporting accessibility and inclusion in everyday life and in companies, leveraging new technologies such as artificial intelligence and could computing.

EXPERIMENTAL RESEARCH

We know psychological obstacles are still today a barrier to hearing care. Thus, we have decided to kick-off an experimental research project to investigate the role of language in determining the stereotypes related to hearing loss and hearing aids. We aim at understanding how a conscious use of language can help people take care of their hearing.

OUR FOUNDATIONS

AMPLIFON FOUNDATION

Amplifon Foundation is our corporate foundation, created in the beginning of 2020, on occasion of our seventieth anniversary, as a means of giving back value to the community. The Amplifon Foundation aims at enabling individuals to achieve their full potential in life through social inclusion. It consolidates our social commitment towards the community and our stakeholders and embodies the values of our corporate purpose of "empowering people". The Amplifon Foundation will represent the point of reference to implement and fund impactful projects for local communities, in Italy and abroad, that are aligned with its areas of action: Enabling participation, Diversity & Employability, as well as Inclusive Communities.

MIRACLE-EAR FOUNDATION

The several social programs carried out by the Miracle-Ear Foundation are supported both by direct stores and the franchisees comprised in Miracle-Ear's distribution network. Established in 1990, the aim of the former Miracle-Ear Children's Foundation was to empower and enhance the life experience of underserved children suffering from hearing loss in North America, by giving them the possibility of hearing again. Re-established as the "Miracle-Ear Foundation" in 2012, with the aim of serving a larger part of the community, the Foundation now provides hearing aids, follow-up care, and educational resources to those who do not have enough financial resources to meet their hearing health needs, besides implementing awareness campaigns.

GAES SOLIDARIA FOUNDATION

Founded in 1996 and consolidated as Foundation in 2018, GAES Solidaria Foundation is a project that gathers employees, managers, partners and customers towards a single objective: filling the lives of those who need it the most with sounds, music, communication and happiness. Its mission is to provide opportunities to people with hearing loss and with no financial resources so that they can develop their language and communication capacities through the development of local and international hearing care projects. Additionally, the foundation promotes research linked to hearing-related diseases by means of the GAES Solidaria Foundation awards assigned to the medical community and is also a means of making the population aware of the importance of hearing health care as a basis part of our well-being.

fondazione
amplifon

Miracle-Ear
Foundation

fundación
GAES
solidaria

CORPORATE BODIES

Our corporate governance system complies with the principles set by the Corporate Governance Code for Listed Companies supported by the Corporate Governance Committee, which we have complied with since its first version of 2001, adhering to subsequent amendments.

Our aim goes beyond mere compliance: we are fully aware that a correct governance system is essential for meeting our long-term strategic objectives.

A detailed description is available in the 'Report on Corporate Governance and Ownership Structure at 31 December 2019 (in accordance with art. 123-bis of TUF)'. The Report is available on the Company's corporate website.

BOARD OF DIRECTORS

Role	Name	Executive	Non Executive	Indipendent(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 17th, 2019 and will remain in office until the publication of the Financial Statements at December 31st, 2021. The Curricula Vitae of the members of the Board of Directors are available on the website: https://.corporate.amplifon.com.

(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.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..

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**

The Board of Statutory Auditors was appointed by the Shareholders' Meeting held on April 20th, 2018 and will remain in office until the Shareholders' Meeting convene to approve the Financial Statements at December 31st, 2020.

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

REMUNERATION & APPOINTMENT COMMITTEE

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

RISK, CONTROL & SUSTAINABILITY COMMITTEE

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

RELATED PARTIES TRANSACTIONS COMMITTEE

Role	Name
Chairperson	**Andrea Casalini**
Member	**Laura Donnini**
Member	**Alessandro Cortesi**

SUPERVISORY BOARD

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

LEAD INDEPENDENT DIRECTOR

Lorenzo Pozza

EXTERNAL AUDITORS

KPMG S.p.A.

EXECUTIVE RESPONSIBLE FOR FINANCIAL REPORTING

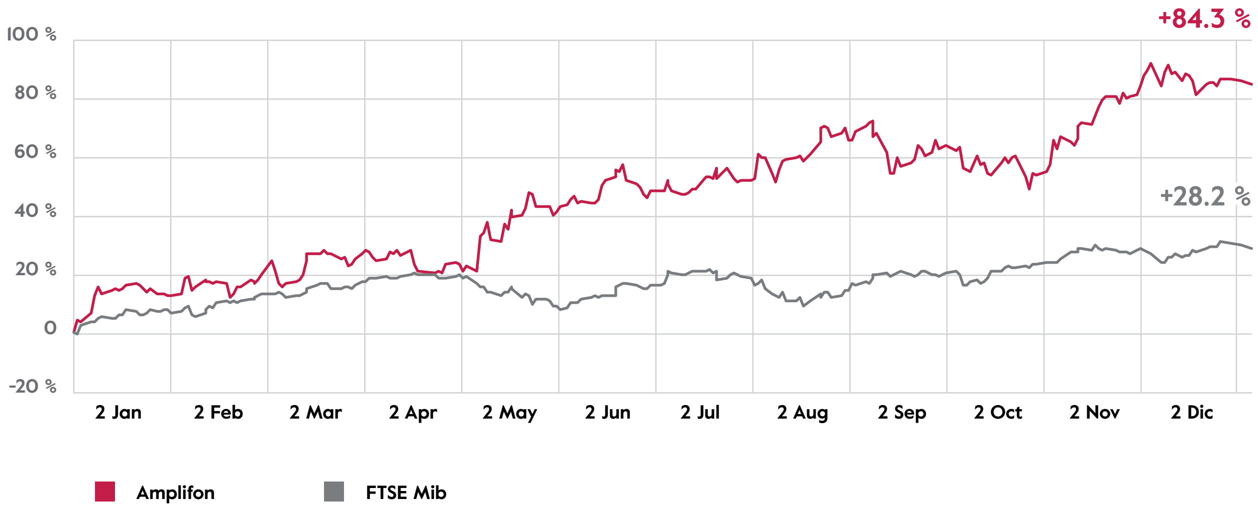
Gabriele Galli

SECRETARY OF THE BOARD OF DIRECTORS

Luigi Colombo

AMPLIFON IN THE STOCK EXCHANGE

STOCK PERFORMANCE IN 2019



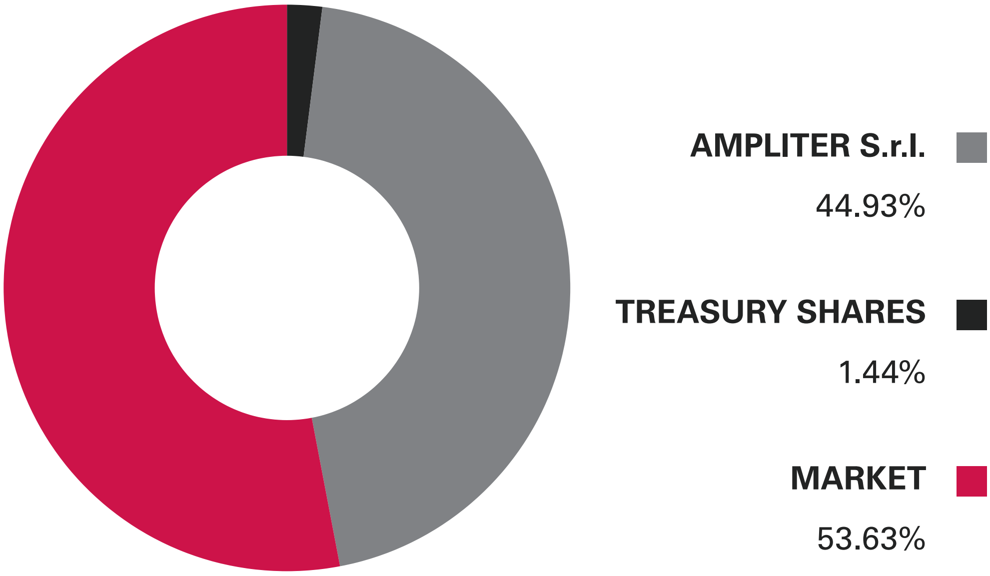
KEY SHARE DATA

Stock exchange	**MTA-STAR**	**Nominal value**	€0.02
Bloomberg ticker	**AMP:IM**	**Average price**[11]	€20.303
Share capital[9]	**€4,528**	**Average volumes**[11]	751,497
N° of shares outstanding[10]	**223,119,533**	**Market capitalization**[9]	5,720

[9] At 31.12.2018, in million euros.
[10] Treasury shares excluded.
[11] Last 12 months.

SHAREHOLDING

SHAREHOLDER STRUCTURE AS OF DECEMBER 31ST, 2018[12]



INCREASED VOTING RIGHTS

The possibility of exercising increased voting rights was adopted by the Extraordinary Shareholders' Meeting held on January 29th, 2015 with a view to pursuing stability and loyalty of the shareholder base. It 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, 2019, there were 102,144,854 registered shares (62.18% of the Company's voting capital), of which 101,715,003 shares (61.92 % of the voting capital) owned by the majority shareholder Ampliter S.r.l..

[12] Percentages refer to the share capital on December 31st, 2019.

RELATIONS WITH THE FINANCIAL COMMUNITY

STOCK COVERAGE

As of December 31st, 2019, 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 IMI	Fidentiis Equities	Kepler Cheuvreux
Bank of America Merrill Lynch	Goldman Sachs	Mainfirst
Carnegie	HSBC	Mediobanca
Commerzbank	Intermonte	Sanford Bernstein
Equita Sim		

CONFERENCE CALL

Amplifon organizes conference calls and audiowebcasts with the financial community (analysts and institutional investors) for the release of its annual, half-year and quarterly results. On average, there were 80 people connected to each conference call.

ROADSHOW

In 2019, the Company's management team - Chief Executive Officer and Chief Financial Officer - and Investor Relator organized roadshows in the main global financial markets: London, New York, Boston, Chicago, Toronto, Sydney, Melbourne, Brussels, Milan, Copenhagen, Stockholm, and Zurich, meeting over 140 institutional investors in one-on-one and group meetings.

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 ABG Sundal Collier, Goldman Sachs and Intermonte, as well as conferences for Italian and/or medium sized companies organized by Sanford C. Bernstein, Bank of America Merrill Lynch, Goldman Sachs, J.P. Morgan, Intermonte, Banca IMI, UniCredit e Kepler Cheuvreux, Exane BNP Paribas, Mediobanca, Banca Akros, Equita SIM and the Italian Stock Exchange. Over 250 institutional investors were met during the one-on-one and group meetings were held during these conferences. Additionally, 50 investors were met during company visits organized directly at Company's head office throughout the year, totaling 440 investors met in 2019.

› FINANCIAL CALENDAR 2020

MARCH 4TH, 2020
Board of Directors' meeting to approve the Consolidated Financial Statements, the draft of Amplifon S.p.A.'s Financial Statements at 31 December 2019 and proposed allocation of 2019 Net Result

APRIL 24TH, 2020
Shareholders' General Meeting (Single Call) to approve Amplifon S.p.A.'s Financial Statements at 31 December 2019 and allocation of 2019 Net Result

APRIL 29TH, 2020
Board of Directors' meeting to approve the Interim Financial Report at 31 March 2020

JULY 29TH, 2020
Board of Directors' meeting to approve the Interim Management Report at 30 June 2020

OCTOBER 28TH, 2020
Board of Directors' meeting to approve the Interim Financial Report at 30 September 2020

SECTION I

REPORT ON OPERATIONS AS AT DECEMBER 31ST, 2019

amplifon

CONTENTS

CHANGES IN ACCOUNTING POLICIES

NEW ACCOUNTING STANDARDS

The Group has adopted IFRS 16 “Leases” effective 1 January 2019 which resulted in changes to the accounting policies and adjustments to the amounts recognized in the financial statements.

Based on IFRS 16, the right-of-use assets which fall under the scope of the standard must be recognized as an asset and the related liability must be recognized as a lease liability.

Adoption of the other accounting standards that took effect in 2019 did not have a material impact on the Group’s assets, liabilities, costs and revenues.

The comparative figures were not restated and the figures for this reporting period are also shown without applying IFRS 16. Unless stated otherwise, the comparative figures refer to the FY 2019.

COMMENTS ON THE FINANCIAL RESULTS

The Amplifon Group posted record results in 2019 with revenues rising in all the geographic segments in which the Group operates and continuous improvement in profitability despite an extremely challenging comparison base. These results were achieved thanks to the efficacy of the new marketing campaigns, the greater scale reached in core markets and improved operational efficiency.
More in detail, the year closed with:

- turnover of €1,732,063 thousand, an increase of +27.1% compared to 2018 (+26.1% at constant exchange rates) with double-digit growth achieved thanks also to the contribution of GAES;
- a gross operating margin (EBITDA) of €370,590 thousand, calculated based on the new accounting standard IFRS 16. Based on the accounting standards applied in the prior year, recurring EBITDA would have reached €278,863 thousand, +28.8% against FY 2018, and the EBITDA margin would have reached 17.4% (+0.2 p.p. against the comparison period);
- net profit of €108,666 thousand based on the new accounting standard. Excluding IFRS 16 application and recurring net profit would have come to €132,665 thousand, an increase of 23.9% compared to the prior year.

REVENUES PERFORMANCE

Revenues from sales and services reached the record amount of €1,732,063 thousand in 2019, an increase of +27.1% compared to the prior record set in 2018 (€ 1,362,234 thousand).

This significant result was achieved thanks mainly to acquisitions which contributed €263,173 thousand (+19.3%), along with continuous organic growth which, including the contribution of the newly opened stores, amounted to €92,445 thousand (+6.8%). The exchange rate differences had a positive impact of €14,211 thousand (+1.0%).

All the geographic segments contributed to the growth in turnover. Specifically:

- in Europe, the Middle East and Africa, the contribution of the GAES acquisition, the boost from strong organic growth (including the contribution of the newly opened stores), as well as the acquisitions made mainly in Germany and France caused revenue to rise 31.7% at current exchange rates and 31.3% at constant exchange rates compared to the prior year;
- in the Americas revenue rose 23.1% at current exchange rates and by 17.5% at constant exchange rates compared to the previous year thanks also to higher investments in marketing and acquisitions;
- in Asia-Pacific turnover rose 7.6% at current exchange rates and 8.6% at constant exchange rates against the prior year.

PROFITABILITY PERFORMANCE

The strong growth in revenues resulted in a significant increase in profitability. Gross operating profit (EBITDA), determined based on the new IFRS 16, amounted to a record €370,590 thousand. Based on the same accounting standards applied in the prior year, EBIDTA would have reached €278,863 thousand, an increase of €53,396 thousand compared to the prior year (+23.7%).
Net of the €22,331 thousand in non-recurring expenses stemming from the integration of GAES incurred in 2019 and the €8,457 thousand related to its acquisition in 2018 EBITDA would have been €67,270 thousand (+28.8%) higher. The recurring EBITDA margin came to 17.4%, an increase of 0.2 percentage points compared to 2018.

NET FINANCIAL POSITION CHANGES

Net financial debt, excluding lease liabilities, amounted to €786,698 thousand at 31 December 2019, €54,158 thousand lower than 31 December 2018.

The decrease in debt is the direct consequence of the excellent level of cash flow generation with free cash flow reaching a positive €149,871 thousand (€110,320 thousand in the prior year) after absorbing capital expenditure of €88,878 thousand (€76,146 thousand in 2018), the acquisitions made in the year (€66,482 thousand) and the payment of dividends to shareholders (€30,939 thousand).

Gross debt amounted to €925,069 thousand at 31 December 2019, €752,648 thousand of which long-term. The short-term portion amounted to €172,421 thousand and it is offset by the cash and cash equivalents, which came to €138,371 thousand. The latter, along with the unutilized portion of irrevocable credit lines of €195 million and the €103.2 million in other available credit lines, ensure the flexibility needed to take advantage of any opportunities to consolidate and develop business that might materialize.

CONSOLIDATED INCOME STATEMENT

(€ thousands)	FY 2019				FY 2018				
	Recurring	Non-recurring (*)	Total	% on recurring	Recurring	Non-recurring (*)	Total	% on recurring	Change % on recurring
Revenues from sales and services	1,732,063	-	1,732,063	100.0%	1,362,234	-	1,362,234	100.0%	27.1%
Operating costs	(1,340,654)	(22,193)	(1,362,847)	-77.4%	(1,131,060)	(2,193)	(1,133,253)	-83.0%	-18.5%
Other income and costs	1,374	-	1,374	0.1%	2,750	(6,264)	(3,514)	0.2%	-50.0%
Gross operating profit (EBITDA)	**392,783**	**(22,193)**	**370,590**	**22.7%**	**233,924**	**(8,457)**	**225,467**	**17.2%**	**67.9%**
Depreciation, amortization and impairment of non-current assets	(65,900)	(1,916)	(67,816)	-3.8%	(51,150)	-	(51,150)	-3.8%	-28.8%
Right-of-use depreciation	(87,942)	(105)	(88,047)	-5.1%	-	-	-	-	-
Operating result before the amortization and impairment of PPA related assets (EBITA)	**238,941**	**(24,214)**	**214,727**	**13.8%**	**182,774**	**(8,457)**	**174,317**	**13.4%**	**30.7%**
PPA related depreciation, amortization and impairment	(37,636)	-	(37,636)	-2.2%	(21,007)	-	(21,007)	-1.5%	-79.2%
Operating profit (EBIT)	**201,305**	**(24,214)**	**177,091**	**11.6%**	**161,767**	**(8,457)**	**153,310**	**11.9%**	**24.4%**
Income, expenses, valuation and adjustments of financial assets	191	-	191	0.0%	470	-	470	0.0%	-59.4%
Net financial expenses	(26,325)	-	(26,325)	-1.5%	(13,521)	(649)	(14,170)	-1.0%	-94.7%
Exchange differences and non-hedge accounting instruments	(818)	-	(818)	0.0%	(1,034)	-	(1,034)	-0.1%	20.9%
Profit (loss) before tax	**174,353**	**(24,214)**	**150,139**	**10.1%**	**147,682**	**(9,106)**	**138,576**	**10.8%**	**18.1%**
Tax	(47,433)	5,818	(41,615)	-2.8%	(40,599)	2,433	(38,166)	-2.8%	-16.8%
Net profit (loss)	**126,920**	**(18,396)**	**108,524**	**7.3%**	**107,083**	**(6,673)**	**100,410**	**7.9%**	**18.5%**
Profit (loss) of minority interests	(142)	-	(142)	0.0%	(33)	-	(33)	0.0%	-330.3%
Net profit (loss) attributable to the Group	**127,062**	**(18,396)**	**108,666**	**7.3%**	**107,116**	**(6,673)**	**100,443**	**7.9%**	**18.6%**

(*) See table at page 65 for details of non-recurring transactions.

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

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

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

The following table shows 2019 performance without the adoption of IFRS 16 in order to have a better comparison with previous year results.

(€ thousands)	FY 2019 W/O IFRS 16 (*)				FY 2018				
	Recurring	Non-recurring (**)	Total	% on recurring	Recurring	Non-recurring (**)	Total	% on recurring	Change % on recurring
Revenues from sales and services	1,732,063	-	1,732,063	100.0%	1,362,234	-	1,362,234	100.0%	27.1%
Operating costs	(1,432,299)	(22,331)	(1,454,630)	-82.7%	(1,131,060)	(2,193)	(1,133,253)	-83.0%	-26.6%
Other income and costs	1,430	-	1,430	0.1%	2,750	(6,264)	(3,514)	0.2%	-48.0%
Gross operating profit (EBITDA)	**301,194**	**(22,331)**	**278,863**	**17.4%**	**233,924**	**(8,457)**	**225,467**	**17.2%**	**28.8%**
Depreciation, amortization and impairment of non-current assets	(66,390)	(1,917)	(68,307)	-3.8%	(51,150)	-	(51,150)	-3.8%	-29.8%
Operating result before the amortization and impairment of PPA related assets (EBITA)	**234,804**	**(24,248)**	**210,556**	**13.6%**	**182,774**	**(8,457)**	**174,317**	**13.4%**	**28.5%**
PPA related depreciation, amortization and impairment	(37,636)	-	(37,636)	-2.2%	(21,007)	-	(21,007)	-1.5%	-79.2%
Operating profit (EBIT)	**197,168**	**(24,248)**	**172,920**	**11.4%**	**161,767**	**(8,457)**	**153,310**	**11.9%**	**21.9%**
Income, expenses, valuation and adjustments of financial assets	191	-	191	0.0%	470	-	470	0.0%	-59.4%
Net financial expenses	(15,021)	-	(15,021)	-0.9%	(13,521)	(649)	(14,170)	-1.0%	-11.1%
Exchange differences and non-hedge accounting instruments	(831)	-	(831)	0.0%	(1,034)	-	(1,034)	-0.1%	19.6%
Profit (loss) before tax	**181,507**	**(24,248)**	**157,259**	**10.5%**	**147,682**	**(9,106)**	**138,576**	**10.8%**	**22.9%**
Tax	(48,950)	5,826	(43,124)	-2.8%	(40,599)	2,433	(38,166)	-2.8%	-20.6%
Net profit (loss)	**132,557**	**(18,422)**	**114,135**	**7.7%**	**107,083**	**(6,673)**	**100,410**	**7.9%**	**23.8%**
Profit (loss) of minority interests	(108)	-	(108)	0.0%	(33)	-	(33)	0.0%	-227.3%
Net profit (loss) attributable to the Group	**132,665**	**(18,422)**	**114,243**	**7.7%**	**107,116**	**(6,673)**	**100,443**	**7.9%**	**23.9%**

(*) For the sake of comparison with 2018, unaudited figures are shown.
(**) See table at page 65 for details of non-recurring transactions.

(€ thousands)	FOURTH QUARTER 2019				FOURTH QUARTER 2018				
	Recurring	Non-recurring (*)	Total	% on recurring	Recurring	Non-recurring (*)	Total	% on recurring	Change % on recurring
Revenues from sales and services	507,322	-	507,322	100.0%	399,463	-	399,463	100.0%	27.0%
Operating costs	(377,438)	(3,821)	(381,259)	-74.4%	(316,209)	(1,931)	(318,140)	-79.2%	-19.4%
Other income and costs	289	-	289	0.1%	106	(522)	(416)	0.0%	172.6%
Gross operating profit (EBITDA)	**130,173**	**(3,821)**	**126,352**	**25.7%**	**83,360**	**(2,453)**	**80,907**	**20.9%**	**56.2%**
Depreciation, amortization and impairment of non-current assets	(20,477)	(1,719)	(22,196)	-4.0%	(14,880)	-	(14,880)	-3.7%	-37.6%
Right-of-use depreciation	(23,171)	62	(23,109)	-4.6%	-	-	-	-	-
Operating result before the amortization and impairment of PPA related assets (EBITA)	**86,525**	**(5,478)**	**81,047**	**17.1%**	**68,480**	**(2,453)**	**66,027**	**17.1%**	**26.4%**
PPA related depreciation, amortization and impairment	(9,929)	-	(9,929)	-2.0%	(5,522)	-	(5,522)	-1.4%	-79.8%
Operating profit (EBIT)	**76,596**	**(5,478)**	**71,118**	**15.1%**	**62,958**	**(2,453)**	**60,505**	**15.8%**	**21.7%**
Income, expenses, valuation and adjustments of financial assets	(28)	-	(28)	0.0%	217	-	217	0.1%	-112.9%
Net financial expenses	(6,628)	-	(6,628)	-1.3%	(1,833)	(582)	(2,415)	-0.5%	-261.5%
Exchange differences and non-hedge accounting instruments	(581)	-	(581)	-0.1%	(422)	-	(422)	-0.1%	-37.7%
Profit (loss) before tax	**69,359**	**(5,478)**	**63,881**	**13.7%**	**60,920**	**(3,035)**	**57,885**	**15.3%**	**13.9%**
Tax	(18,152)	1,101	(17,051)	-3.6%	(15,762)	739	(15,023)	-3.8%	-15.2%
Net profit (loss)	**51,207**	**(4,377)**	**46,830**	**10.1%**	**45,158**	**(2,296)**	**42,862**	**11.3%**	**13.4%**
Profit (loss) of minority interests	(172)	-	(172)	0.0%	56	-	56	0.0%	-407.1%
Net profit (loss) attributable to the Group	**51,379**	**(4,377)**	**47,002**	**10.1%**	**45,102**	**(2,296)**	**42,806**	**11.3%**	**13.9%**

(*) See table at page 65 for details of non-recurring transactions.

For the sake of easier comparison with the prior year, the figures for the fourth quarter of 2019 calculated without applying IFRS 16 are shown in the table below.

(€ thousands)	FOURTH QUARTER W/O IFRS 16 (*)				FOURTH QUARTER 2018				
	Recurring	Non-recurring (**)	Total	% on recurring	Recurring	Non-recurring (**)	Total	% on recurring	Change % on recurring
Revenues from sales and services	507,322	-	507,322	100.0%	399,463	-	399,463	100.0%	27.0%
Operating costs	(401,129)	(3,781)	(404,910)	-79.1%	(316,209)	(1,931)	(318,140)	-79.2%	-26.9%
Other income and costs	358	-	358	0.1%	106	(522)	(416)	0.0%	237.7%
Gross operating profit (EBITDA)	**106,551**	**(3,781)**	**102,770**	**21.0%**	**83,360**	**(2,453)**	**80,907**	**20.9%**	**27.8%**
Depreciation, amortization and impairment of non-current assets	(20,599)	(1,719)	(22,318)	-4.1%	(14,880)	-	(14,880)	-3.7%	-38.4%
Operating result before the amortization and impairment of PPA related assets (EBITA)	**85,952**	**(5,500)**	**80,452**	**16.9%**	**68,480**	**(2,453)**	**66,027**	**17.1%**	**25.5%**
PPA related depreciation, amortization and impairment	(9,929)	-	(9,929)	-1.9%	(5,522)	-	(5,522)	-1.4%	-79.8%
Operating profit (EBIT)	**76,023**	**(5,500)**	**70,523**	**15.0%**	**62,958**	**(2,453)**	**60,505**	**15.8%**	**20.8%**
Income, expenses, valuation and adjustments of financial assets	(28)	-	(28)	0.0%	217	-	217	0.1%	-112.9%
Net financial expenses	(3,803)	-	(3,803)	-0.8%	(1,833)	(582)	(2,415)	-0.5%	-107.5%
Exchange differences and non-hedge accounting instruments	(595)	-	(595)	-0.1%	(422)	-	(422)	-0.1%	-41.0%
Profit (loss) before tax	**71,597**	**(5,500)**	**66,097**	**14.1%**	**60,920**	**(3,035)**	**57,885**	**15.3%**	**17.5%**
Tax	(18,656)	1,107	(17,549)	-3.7%	(15,762)	739	(15,023)	-3.8%	-18.4%
Net profit (loss)	**52,941**	**(4,393)**	**48,548**	**10.4%**	**45,158**	**(2,296)**	**42,862**	**11.3%**	**17.2%**
Profit (loss) of minority interests	(164)	-	(164)	0.0%	56	-	56	0.0%	-392.9%
Net profit (loss) attributable to the Group	**53,105**	**(4,393)**	**48,712**	**10.5%**	**45,102**	**(2,296)**	**42,806**	**11.3%**	**17.7%**

(*) For the sake of comparison with 2018, unaudited figures are shown.
(**) See table at page 65 for details of non-recurring transactions.

The following table shows the details of the non-recurring transactions included in the previous statements.

(€ thousands)	FY 2019	FY 2019 w/o IFRS 16	FY 2018
GAES acquisition (2018) and integration (2019) costs	(22,193)	(22,331)	(8,457)
Impact of the non-recurring items on EBITDA	**(22,193)**	**(22,331)**	**(8,457)**
Accelerated depreciation and impairment of GAES assets	(2,021)	(1,917)	-
Impact of the non-recurring items on EBIT	**(24,214)**	**(24,248)**	**(8,457)**
Financial expenses related to the financing of GAES Acquisition	-	-	(649)
Impact of the non-recurring items on profit before tax	**(24,214)**	**(24,248)**	**(9,106)**
Impact of the above items on the tax burden for the period	5,818	5,826	2,433
Impact of the non-recurring items on net profit	**(18,396)**	**(18,422)**	**(6,673)**

(€ thousands)	Fourth quarter 2019	Fourth quarter 2019 w/o IFRS 16	Fourth quarter 2018
GAES acquisition (2018) and integration (2019) costs	(3,821)	(3,781)	(2,453)
Impact of the non-recurring items on EBITDA	**(3,821)**	**(3,781)**	**(2,453)**
Accelerated depreciation and impairment of GAES assets	(1,657)	(1,719)	-
Impact of the non-recurring items on EBIT	**(5,478)**	**(5,500)**	**(2,453)**
Financial expenses related to the financing of GAES Acquisition	-	-	(582)
Impact of the non-recurring items on profit before tax	**(5,478)**	**(5,500)**	**(3,035)**
Impact of the above items on the tax burden for the period	1,101	1,107	739
Impact of the non-recurring items on net profit	**(4,377)**	**(4,393)**	**(2,296)**

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)	12/31/2019	12/31/2018 (*)	Change	12/31/2019 w/o IFRS 16 (**)
Goodwill	1,215,511	1,161,598	53,913	1,215,511
Customer lists, non-compete agreements, trademarks and location rights	270,307	279,406	(9,099)	270,307
Software, licenses, other int.ass., wip and advances	97,201	79,996	17,205	97,201
Tangible assets	196,579	188,968	7,611	197,974
Right of use assets	418,429	-	418,429	-
Fixed financial assets (1)	44,887	41,546	3,341	44,670
Other non-current financial assets (1)	32,282	26,752	5,530	32,624
Total fixed assets	**2,275,196**	**1,778,266**	**496,930**	**1,858,287**
Inventories	64,592	61,713	2,879	64,592
Trade receivables	205,219	169,454	35,765	205,219
Other receivables	75,998	77,292	(1,294)	78,823
Current assets (A)	**345,809**	**308,459**	**37,350**	**348,634**
Total assets	**2,621,005**	**2,086,725**	**534,280**	**2,206,921**
Trade payables	(177,390)	(173,100)	(4,290)	(178,463)
Other payables (2)	(284,827)	(244,986)	(39,841)	(284,976)
Provisions for risks (current portion)	(4,242)	(4,916)	674	(4,242)
Short term liabilities (B)	**(466,459)**	**(423,002)**	**(43,457)**	**(467,681)**
Working capital (A) – (B)	**(120,650)**	**(114,543)**	**(6,107)**	**(119,047)**
Derivative instruments (3)	(8,763)	(10,876)	2,113	(8,763)
Deferred tax assets	81,427	75,204	6,223	79,926
Deferred tax liabilities	(102,111)	(98,932)	(3,179)	(102,116)
Provisions for risks (non-current portion)	(50,290)	(49,619)	(671)	(50,290)
Employee benefits (non-current portion)	(25,281)	(20,290)	(4,991)	(25,281)
Loan fees (4)	1,611	3,795	(2,184)	1,611
Other long-term payables	(143,701)	(126,202)	(17,499)	(143,888)

(€ thousands)	12/31/2019	12/31/2018 [*]	Change	12/31/2019 w/o IFRS 16 [**]
Net invested capital	**1,907,438**	**1,436,803**	**470,635**	**1,490,439**
Shareholders' equity	695,031	594,919	100,112	700,630
Third parties' equity	1,084	1,028	56	1,098
Net equity	**696,115**	**595,947**	**100,168**	**701,728**
Long term net financial debt [(4)]	752,648	877,688	(125,040)	753,868
Short term net financial debt [(4)]	34,050	(36,832)	70,882	34,843
Total net financial debt	**786,698**	**840,856**	**(54,158)**	**788,711**
Lease liabilities	424,625	-	424,625	-
Total lease liabilities & net financial debt	**1,211,323**	**840,856**	**370,467**	**788,711**
Net equity, lease liabilities and net financial debt	**1,907,438**	**1,436,803**	**470,635**	**1,490,439**

[*] 2018 Balance Sheet has been revised for the allocation of the GAES acquisition price.
[**] For the sake of comparison with 2018, unaudited figures are shown.

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 by 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 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 portions, respectively.

CONDENSED RECLASSIFIED CONSOLIDATED CASH FLOW STATEMENT

The condensed consolidated cash flow statement is a summarized version of the reclassified statement of cash flows set out in the following pages and its purpose is, starting from the EBIT, to detail the cash flows from or used in operating, investing and financing activities.

(€ thousands)	FY 2019	FY 2018
EBIT	**177,091**	**153,310**
Amortization, depreciation and write-downs	193,499	72,157
Provisions, other non-monetary items and gain/losses from disposals	26,771	19,743
Net financial expenses	(23,935)	(13,942)
Taxes paid	(46,983)	(36,590)
Changes in net working capital	(6,688)	(8,212)
Cash flow provided by (used in) operating activities before repayment of lease liabilities	**319,755**	**186,466**
Repayment of lease liabilities	(81,006)	-
Cash flow provided by (used in) operating activities (A)	**238,749**	**186,466**
Cash flow provided by (used in) operating investing activities (B)	(88,878)	(76,146)
Free Cash Flow (A) + (B)	**149,871**	**110,320**
Net cash flow provided by (used in) acquisitions (C)	(66,860)	(620,639)
(Purchase) sale of other investment and securities (D)	378	452
Cash flow provided by (used in) investing activities (B+C+D)	**(155,360)**	**(696,333)**
Cash flow provided by (used in) operating activities and investing activities	**83,389**	**(509,867)**
Dividends	(30,939)	(24,079)
Fees paid on medium/long-term financing	-	(3,758)
Treasury shares	-	(9,631)
Capital increases, third parties' contributions and dividends paid by subsidiaries to third parties	(134)	(22)
Hedging instruments and other changes in non-current assets	2,678	1,901
Net cash flow from the period	**54,994**	**(545,456)**
Net financial indebtedness as of period opening date	**(840,856)**	**(296,265)**
Effect of discontinued operation on financial position	(42)	22
Effect of exchange rate fluctuations on financial position	(794)	843
Change in net financial position	54,994	(545,456)
Net financial indebtedness as of period closing date	**(786,698)**	**(840,856)**

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

(€ thousands)	FY 2019	FY 2018
Free cash flow	**149,871**	**110,320**
Free cash flow generated by non-recurring transactions (see page 102 for details)	(21,531)	(7,695)
Free cash flow generated by recurring transactions	**171,402**	**118,015**

INDICATORS

	12/31/2019	12/31/2018 (*)
Net financial indebtedness (€ thousands)	786,698	840,856
Net Equity (€ thousands)	696,115	595,947
Group Net Equity (€ thousands)	695,031	594,919
Net financial indebtedness/Net Equity	1.13 (**)	1.41 (***)
Net financial indebtedness/Group Net Equity	1.13 (**)	1.41 (***)
Net financial indebtedness/EBITDA	1.90 (**)	3.11 (***)
EBITDA/Net financial expenses	28.81 (**)	20.41 (***)
Earnings per share (EPS) (€)	0.48979	0.45706
Diluted EPS (€)	0.48135	0.44801
EPS (€) adjusted for non-recurring transactions and amortization/depreciation related to purchase price allocations to tangible and intangible assets	0.70691	0.52578
Group Net Equity per share (€)	3.115	2.696
Dividend per share (DPS) (€) (****)	-	0.14
Pay out ratio (%) (****)	-	30.63%
Dividend yield (%) (****)	-	1.00%
Period-end price (€)	25.640	14.050
Highest price in period (€)	26.800	20.700
Lowest price in period (€)	13.610	12.590
Price/earning ratio (P/E)	52.35	30.74
Share price/net equity per share	8.231	5.211
Market capitalization (€ millions)	5,720.78	3,180.27
Number of shares outstanding	223,119,533	220,637,875

(*) 2018 Balance Sheet has been revised for the allocation of the GAES acquisition price.
(**) Indicators re-defined together with the banks and the financial investors after the adoption of IFRS 9, 15 and 16.
(***) Indicators calculated in compliance with the previous definitions included in the syndicated loan for the GAES acquisition, before the adoption of IFRS 9, 15 and 16.
(****) The net profit of 2019 is entirely attributed to retained earnings as proposed by the Board of Directors to the shareholders' meeting called for April 24th, 2020.

- **Net financial indebtedness/net equity** is the ratio of net financial indebtedness to total net equity.
- **Net financial indebtedness/Group net equity** is the ratio of the net financial indebtedness to the Group's net equity.
- **Net financial indebtedness/EBITDA** is the ratio of net financial indebtedness to EBITDA for the last four quarters (determined with reference to recurring operations only, based on pro forma figures in case of significant changes to the structure of the Group).
- **EBITDA/net financial expenses ratio** is the ratio of EBITDA for the last four quarters (determined with reference to recurring operations only, based on restated figures in case of significant changes to the structure of the Group) to net interest payable and receivable of the same last four quarters.

- **Earnings per share (EPS) (€)** is the 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 the 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 (EPS) adjusted for non-recurring transactions and amortization/depreciation related to purchase price allocations to tangible and intangible assets (€)** is the profit for the year from recurring operations attributable to the parent's ordinary shareholders divided by the weighted average number of outstanding shares in the period adjusted to reflect the amortization of purchase price allocations. When calculating the number of outstanding shares, the purchases and sales of treasury shares are considered cancellations and share issues, respectively.
- **Net Equity per share (€)** is the ratio of Group equity to the number of outstanding shares.
- **Dividend per share (DPS) (€)** is the dividend, paid in the following year, decided by the shareholders' meeting following the approval of the financial statements of the reported year. This ratio is not given in the interim reports because it is meaningful only with reference to the full year result.
- **Pay-out ratio (%)** is the ratio of the dividend paid on EPS.
- **Dividend yield (%)** is the ratio of the dividend per share, paid in the following year, on the share price determined in December 31st of the reported year.
- **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 determined during the last stock exchange trading day of the period on 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 capitalization** is the closing price on the last stock exchange trading day of the period multiplied by the number of outstanding shares.
- **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 2019				
	EMEA	Americas	Asia Pacific	Corporate	Total
Revenues from sales and services	1,253,880	285,346	187,791	5,046	1,732,063
Operating costs	(954,771)	(221,645)	(132,523)	(53,908)	(1,362,847)
Other income and costs	1,030	844	(279)	(221)	1,374
Gross operating profit (loss) (EBITDA)	**300,139**	**64,545**	**54,989**	**(49,083)**	**370,590**
Depreciation, amortization and impairment of non-current assets	(43,232)	(6,748)	(8,661)	(9,175)	(67,816)
Right-of-use depreciation	(74,242)	(3,769)	(10,036)	-	(88,047)
Operating profit (loss) before the depreciation and amortization of PPA related assets (EBITA)	**182,665**	**54,028**	**36,292**	**(58,258)**	**214,727**
PPA related depreciation, amortization and impairment	(30,226)	(1,479)	(5,806)	(125)	(37,636)
Operating profit (loss) (EBIT)	**152,439**	**52,549**	**30,486**	**(58,383)**	**177,091**
Income, expenses, revaluation and adjustments of financial assets					191
Net financial expenses					(26,325)
Exchange differences and non-hedge accounting instruments					(818)
Profit (loss) before tax					**150,139**
Tax					(41,615)
Net profit (loss)					**108,524**
Profit (loss) of minority interests					(142)
Net profit (loss) attributable to the Group					**108,666**

(€ thousands)	FY 2019 – ONLY RECURRING OPERATIONS				
	EMEA	Americas	Asia Pacific	Corporate	Total
Revenues from sales and services	1,253,880	285,346	187,791	5,046	1,732,063
Gross operating profit (loss) (EBITDA)	322,235	64,642	54,989	(49,083)	392,783
Operating profit (loss) before the depreciation and amortization of PPA related assets (EBITA)	206,782	54,125	36,292	(58,258)	238,941
Operating profit (loss) (EBIT)	176,557	52,645	30,486	(58,383)	201,305
Profit (loss) before tax					174,353
Net profit (loss) attributable to the Group					127,062

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

(€ thousands)	FY 2018				
	EMEA	Americas	Asia Pacific	Corporate	Total
Revenues from sales and services	952,337	231,818	174,520	3,559	1,362,234
Operating costs	(776,271)	(185,982)	(130,926)	(40,074)	(1,133,253)
Other income and costs	2,559	357	185	(6,615)	(3,514)
Gross operating profit (loss) (EBITDA)	**178,625**	**46,193**	**43,779**	**(43,130)**	**225,467**
Depreciation, amortization and impairment of non-current assets	(31,930)	(4,521)	(8,017)	(6,682)	(51,150)
Operating profit (loss) before the depreciation and amortization of PPA related assets (EBITA)	**146,695**	**41,672**	**35,762**	**(49,812)**	**174,317**
PPA related depreciation, amortization and impairment	(14,466)	(733)	(5,649)	(159)	(21,007)
Operating profit (loss) (EBIT)	**132,229**	**40,939**	**30,113**	**(49,971)**	**153,310**
Income, expenses, revaluation and adjustments of financial assets					470
Net financial expenses					(14,170)
Exchange differences and non-hedge accounting instruments					(1,034)
Profit (loss) before tax					**138,576**
Tax					(38,166)
Net profit (loss)					**100,410**
Profit (loss) of minority interests					(33)
Net profit (loss) attributable to the Group					**100,443**

(€ thousands)	FY 2018 – ONLY RECURRING OPERATIONS				
	EMEA	Americas	Asia Pacific	Corporate	Total
Revenues from sales and services	952,337	231,818	174,520	3,559	1,362,234
Gross operating profit (loss) (EBITDA)	179,160	46,193	43,779	(35,208)	233,924
Operating profit (loss) before the depreciation and amortization of PPA related assets (EBITA)	147,230	41,672	35,762	(41,890)	182,774
Operating profit (loss) (EBIT)	132,764	40,939	30,113	(42,049)	161,767
Profit (loss) before tax					147,682
Net profit (loss) attributable to the Group					107,116

(€ thousands)	FOURTH QUARTER 2019				
	EMEA	Americas	Asia Pacific	Corporate	Total
Revenues from sales and services	376,053	81,964	47,573	1,732	507,322
Operating costs	(263,322)	(62,539)	(34,078)	(21,320)	(381,259)
Other income and costs	361	368	(160)	(280)	289
Gross operating profit (loss) (EBITDA)	**113,092**	**19,793**	**13,335**	**(19,868)**	**126,352**
Depreciation, amortization and impairment of non-current assets	(14,463)	(2,710)	(2,363)	(2,660)	(22,196)
Right-of-use depreciation	(19,298)	(973)	(2,838)	-	(23,109)
Operating profit (loss) before the depreciation and amortization of PPA related assets (EBITA)	**79,331**	**16,110**	**8,134**	**(22,528)**	**81,047**
PPA related depreciation, amortization and impairment	(7,891)	(598)	(1,440)	-	(9,929)
Operating profit (loss) (EBIT)	**71,440**	**15,512**	**6,694**	**(22,528)**	**71,118**
Income, expenses, revaluation and adjustments of financial assets					(28)
Net financial expenses					(6,627)
Exchange differences and non-hedge accounting instruments					(581)
Profit (loss) before tax					**63,882**
Tax					(17,051)
Net profit (loss)					**46,831**
Profit (loss) of minority interests					(172)
Net profit (loss) attributable to the Group					**47,003**

(€ thousands)	FOURTH QUARTER 2019 – ONLY RECURRING OPERATIONS				
	EMEA	Americas	Asia Pacific	Corporate	Total
Revenues from sales and services	376,053	81,964	47,573	1,732	507,322
Gross operating profit (loss) (EBITDA)	116,841	19,865	13,335	(19,868)	130,173
Operating profit (loss) before the depreciation and amortization of PPA related assets (EBITA)	84,737	16,182	8,134	(22,528)	86,525
Operating profit (loss) (EBIT)	76,847	15,583	6,694	(22,528)	76,596
Profit (loss) before tax					69,360
Net profit (loss) attributable to the Group					51,380

(€ thousands)

FOURTH QUARTER 2018

	EMEA	Americas	Asia Pacific	Corporate	Total
Revenues from sales and services	290,914	63,795	42,935	1,819	399,463
Operating costs	(221,590)	(50,067)	(33,998)	(12,485)	(318,140)
Other income and costs	425	189	(101)	(929)	(416)
Gross operating profit (loss) (EBITDA)	**69,749**	**13,917**	**8,836**	**(11,595)**	**80,907**
Depreciation, amortization and impairment of non-current assets	(8,761)	(1,181)	(2,135)	(2,803)	(14,880)
Operating profit (loss) before the depreciation and amortization of PPA related assets (EBITA)	**60,988**	**12,736**	**6,701**	**(14,398)**	**66,027**
PPA related depreciation, amortization and impairment	(3,790)	(229)	(1,440)	(63)	(5,522)
Operating profit (loss) (EBIT)	**57,198**	**12,507**	**5,261**	**(14,461)**	**60,505**
Income, expenses, revaluation and adjustments of financial assets					217
Net financial expenses					(2,415)
Exchange differences and non-hedge accounting instruments					(422)
Profit (loss) before tax					**57,885**
Tax					(15,023)
Net profit (loss)					**42,862**
Profit (loss) of minority interests					56
Net profit (loss) attributable to the Group					**42,806**

(€ thousands)

FOURTH QUARTER 2018 – ONLY RECURRING OPERATIONS

	EMEA	Americas	Asia Pacific	Corporate	Total
Revenues from sales and services	290,914	63,795	42,935	1,819	399,463
Gross operating profit (loss) (EBITDA)	70,284	13,917	8,836	(9,677)	83,360
Operating profit (loss) before the depreciation and amortization of PPA related assets (EBITA)	61,523	12,736	6,701	(12,480)	68,480
Operating profit (loss) (EBIT)	57,733	12,507	5,261	(12,543)	62,958
Profit (loss) before tax					60,920
Net profit (loss) attributable to the Group					45,102

REVENUES FROM SALES AND SERVICES

(€ thousands)	FY 2019	FY 2018	Change	Change %
Revenues from sales and services	**1,732,063**	**1,362,234**	**369,829**	**27.1%**

(€ thousands)	Fourth quarter 2019	Fourth quarter 2018	Change	Change %
Revenues from sales and services	**507,322**	**399,463**	**107,859**	**27.0%**

Consolidated revenues from sales and services amounted to €1,732,063 thousand in 2019, an increase of €369,829 thousand (+27.1%) against the comparison period thanks to the solid performances reported in all the geographic areas in which the Group operates. This result reflects the significant contribution of acquisitions (particularly GAES, consolidated from 1 January 2019) of €263,173 thousand (+19.3%), net of the disposal of Direito de Ouvir Amplifon Brasil SA finalized at the beginning of second quarter 2018 and of Makstone (Turkey) in the fourth quarter of 2019, and the above market organic growth which, including the contribution of the newly opened stores, amounted to €92,445 thousand (+6.8%). The foreign exchange differences had a positive impact of €14,211 thousand (+1.0%) attributable primarily to the strengthening of the USD against the Euro.

In the fourth quarter alone, consolidated revenues from sales and services amounted to €507,322 thousand, an increase of €107,859 thousand (+27.0%) against the comparison period, driven by the significant contribution of acquisitions (particularly GAES) of €71,798 thousand (+18.0%) and strong organic growth which, including the contribution of the newly opened stores, was €32,689 thousand higher (+8.2%). The foreign exchange differences had a positive impact of €3,372 thousand (+0.8%).

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

(€ thousands)	FY 2019	% on Total	FY 2018	% on Total	Change	Change %	Exchange diff.	Change % in local currency
EMEA	1,253,880	72.4%	952,337	69.9%	301,543	31.7%	3,037	31.3%
Americas	285,346	16.5%	231,818	17.0%	53,528	23.1%	12,966	17.5%
Asia Pacific	187,791	10.8%	174,520	12.8%	13,271	7.6%	(1,792)	8.6%
Corporate	5,046	0.3%	3,559	0.3%	1,487	41.8%	-	41.8%
Total	**1,732,063**	**100.0%**	**1,362,234**	**100.0%**	**369,829**	**27.1%**	**14,211**	**26.1%**

Europe, Middle-East and Africa

Period (€ thousands)	2019	2018	Change	Change %
I quarter	283,763	215,729	68,034	31.5%
II quarter	323,365	247,232	76,133	30.8%
I Half Year	**607,128**	**462,961**	**144,167**	**31.1%**
III quarter	270,699	198,462	72,237	36.4%
IV quarter	376,053	290,914	85,139	29.3%
II Half Year	**646,752**	**489,376**	**157,376**	**32.2%**
Total Year	**1,253,880**	**952,337**	**301,543**	**31.7%**

Revenues from sales and services amounted to €1,253,880 thousand in 2019, an increase of €301,543 thousand (+31.7%) with respect to the comparison period explained for €70,575 thousand (+7.4%) by organic growth, including the contribution of the newly opened stores, and for €227,931 thousand (+23.9%) by acquisitions, including GAES consolidated as of 1 January 2019, while the foreign exchange differences had a positive impact of €3,037 thousand (+0.4%).

More in detail: an outstanding performance was recorded in Italy, thanks to the Amplifon brand products and the successful new marketing campaign. In Spain both GAES and the Amplifon business reported excellent double-digit organic growth, above expectations. The excellent trend in revenues, driven by strong organic growth and acquisitions, continued in France and Germany. The launch of the Amplifon brand products continued with very positive results. Today the Amplifon brand products are present in four core European markets: Italy, Germany, the Netherlands and France.

In the fourth quarter alone, consolidated revenues from sales and services amounted to €376,053 thousand, an increase of €85,139 thousand or +29.3% against the comparison period, driven by the significant contribution of acquisitions (particularly GAES) of €61,341 thousand (+21.1%) and organic growth which, including the contribution of the newly opened stores, accelerated in the fourth quarter posting an increase of €22,550 thousand (+7.8%). The foreign exchange differences had a positive impact of €1,248 thousand (+0.4%).

Americas

Period (€ thousands)	2019	2018	Change	Change %
I quarter	63,102	51,800	11,302	21.8%
II quarter	68,782	57,539	11,243	19.5%
I Half Year	**131,884**	**109,339**	**22,545**	**20.6%**
III quarter	71,498	58,684	12,814	21.8%
IV quarter	81,964	63,795	18,169	28.5%
II Half Year	**153,462**	**122,479**	**30,983**	**25.3%**
Total Year	**285,346**	**231,818**	**53,528**	**23.1%**

Revenues from sales and services amounted to €285,346 thousand in 2019, an increase of €53,528 thousand (+23.1%) against the comparison period explained for €30,121 thousand (+13.0%) by acquisitions, particularly the consolidation of GAES' Latin American companies as of 1 January 2019, net of the Direito de Ouvir Amplifon Brasil SA disposal made at the beginning of second quarter 2018, and for €10,441 thousand (+4.5%) by organic growth, including the contribution of the newly opened stores. The foreign exchange differences had a positive impact of €12,966 thousand (+5.6%).

The Americas reported a strong increase in local currency of 17.5% thanks to solid organic growth, that accelerated in the fourth quarter, driven by Miracle-Ear and Amplifon Hearing Healthcare which more than offset the weak performance of Elite Hearing Network, and the outstanding performance of GAES LATAM, reported in the M&A growth. The Amplifon Product Experience was also launched in the United States.

In the fourth quarter alone, consolidated revenues from sales and services amounted to €81,964 thousand, an increase of €18,169 thousand or +28.5% against the comparison period, explained for €9,965 thousand (+15.6%) by acquisitions, particularly the consolidation of GAES' Latin American companies and organic growth which, including the contribution of the newly opened stores, reached €5,511 thousand (+8.6%). The foreign exchange differences had a positive impact of €2,693 thousand (+4.3%).

Asia Pacific

Period (€ thousands)	2019	2018	Change	Change %
I quarter	44,415	41,295	3,120	7.6%
II quarter	46,622	44,824	1,798	4.0%
I Half Year	**91,037**	**86,118**	**4,919**	**5.7%**
III quarter	49,181	45,467	3,714	8.2%
IV quarter	47,573	42,935	4,638	10.8%
II Half Year	**96,754**	**88,402**	**8,352**	**9.4%**
Total Year	**187,791**	**174,520**	**13,271**	**7.6%**

Revenues from sales and services amounted to €187,791 thousand in 2019, an increase of €13,271 thousand (+7.6%) against the comparison period explained for €9,942 thousand (+5.7%) by organic growth, including the contribution of the newly opened stores, and for €5,121 thousand (+2.9%) by the Chinese acquisition (made in November 2018), while the foreign exchange differences had a negative impact of €1,792 thousand (-1.0%).

Revenues in local currency rose by +8.6% thanks to solid organic growth which outpaced the market and accelerated in the fourth quarter, despite what is still a soft market. A good, above market performance driven by organic growth was reported in Australia, while revenue growth in New Zealand improved despite the regulatory changes that took place in 2013. The Amplifon Product Experience was also launched in Australia.

In the fourth quarter alone, consolidated revenues from sales and services amounted to €47,573 thousand, an increase of €4,638 thousand (+10.8%) against the comparison period explained for €4,715 thousand (+11.0%) by organic growth, including the contribution of the newly opened stores, and for €492 thousand (+1.1%) by the acquisition in China. The foreign exchange differences had a negative impact of €569 thousand (-1.3%).

GROSS OPERATING PROFIT (EBITDA)

(€ thousands)	FY 2019			FY 2018		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Gross operating profit (EBITDA)	392,783	(22,193)	370,590	233,924	(8,457)	225,467

(€ thousands)	FY 2019 W/O IFRS 16 (*)			FY 2018		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Gross operating profit (EBITDA)	301,194	(22,331)	278,863	233,924	(8,457)	225,467

(€ thousands)	FOURTH QUARTER 2019			FOURTH QUARTER 2018		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Gross operating profit (EBITDA)	130,173	(3,821)	126,352	83,360	(2,453)	80,907

(€ thousands)	FOURTH QUARTER 2019 W/O IFRS 16 (*)			FOURTH QUARTER 2018		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Gross operating profit (EBITDA)	106,551	(3,781)	102,770	83,360	(2,453)	80,907

(*) For the sake of comparison, 2019 unaudited figures are shown without the application of IFRS 16.

Gross operating profit (EBITDA), determined based on the new IFRS 16, amounted to €370,590 thousand (with an EBITDA margin of 21.4%) in 2019.
If IFRS 16 had not been applied, EBITDA would have amounted to €278,863 thousand, an increase against the comparison period of €53,396 thousand (+23.7%) driven by the considerable acceleration in revenues and the solid operating leverage, even after the consolidation of GAES and the continuous investments in marketing. The foreign exchange differences had a positive impact of €2,929 thousand.
The result posted in the period reflects non-recurring costs of €22,331 thousand relating to the integration of GAES. Non-recurring costs relating to the GAES acquisition of €8,457 thousand were also incurred in the comparison period.
Net of these non-recurring items and excluding IFRS 16 application, EBITDA would have been €67,270 thousand (+28.8%) in 2019 with an EBITDA margin of 17.4% (+0.2 p.p. against the comparison period).

In the fourth quarter alone, gross operating profit (EBITDA), determined based on the new IFRS 16, amounted to €126,352 thousand (with an EBITDA margin of 24.9%).
Excluding the impact of IFRS 16 application, EBITDA would have amounted to €102,770 thousand, an increase against the comparison period of €21,863 thousand (+27.5%) explained also by the positive foreign exchange differences of €664 thousand.
The result posted in the period reflects non-recurring costs of €3,781 thousand relating to the integration of GAES. The comparison period was also impacted, for €2,453 thousand, by the non-recurring costs described above.

Net of these non-recurring items and excluding IFRS 16 application, EBITDA would have been €23,191 thousand (+27.8%) higher with an EBITDA margin of 21.0% (+0.1 p.p. against the comparison period).

The following table shows a breakdown of EBITDA by segment.

(€ thousands)	FY 2019	EBITDA Margin	FY 2018	EBITDA Margin	Change	Change %
EMEA	300,139	23.9%	178,625	18.8%	121,514	68.0%
Americas	64,545	22.6%	46,193	19.9%	18,352	39.7%
Asia Pacific	54,989	29.3%	43,779	25.1%	11,210	25.6%
Corporate (**)	(49,083)	-2.8%	(43,130)	-3.2%	(5,953)	-13.8%
Total	**370,590**	**21.4%**	**225,467**	**16.6%**	**145,123**	**64.4%**

(€ thousands)	FY 2019 w/o IFRS 16 (*)	EBITDA Margin	FY 2018	EBITDA Margin	Change	Change %
EMEA	223,267	17.8%	178,625	18.8%	44,642	25.0%
Americas	60,360	21.2%	46,193	19.9%	14,167	30.7%
Asia Pacific	44,319	23.6%	43,779	25.1%	540	1.2%
Corporate (**)	(49,083)	-2.8%	(43,130)	-3.2%	(5,953)	-13.8%
Total	**278,863**	**16.1%**	**225,467**	**16.6%**	**53,396**	**23.7%**

(€ thousands)	Fourth quarter 2019	EBITDA Margin	Fourth quarter 2018	EBITDA Margin	Change	Change %
EMEA	113,092	30.1%	69,749	24.0%	43,343	62.1%
Americas	19,793	24.1%	13,917	21.8%	5,876	42.2%
Asia Pacific	13,335	28.0%	8,836	20.6%	4,499	50.9%
Corporate (**)	(19,868)	-3.9%	(11,596)	-2.9%	(8,272)	-71.3%
Total	**126,352**	**24.9%**	**80,907**	**20.3%**	**45,445**	**56.2%**

(€ thousands)	Fourth quarter 2019 w/o IFRS 16 (*)	EBITDA Margin	Fourth quarter 2018	EBITDA Margin	Change	Change %
EMEA	93.415	24.8%	69,749	24.0%	23,666	33.9%
Americas	18.826	23.0%	13,917	21.8%	4,909	35.3%
Asia Pacific	10.397	21.9%	8,836	20.6%	1,561	17.7%
Corporate (**)	(19.868)	-3.9%	(11,596)	-2.9%	(8,272)	-71.3%
Total	**102.770**	**20.3%**	**80,907**	**20.3%**	**21,863**	**27.0%**

(*) For the sake of comparison, 2019 unaudited figures are shown without the application of IFRS 16.
(**) Centralized costs are shown as a percentage of the Group's total sales.

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

(€ thousands)	FY 2019	EBITDA Margin	FY 2018	EBITDA Margin	Change	Change %
EMEA	322,235	25.7%	179,160	18.8%	143,075	79.9%
Americas	64,642	22.7%	46,193	19.9%	18,449	39.9%
Asia Pacific	54,989	29.3%	43,779	25.1%	11,210	25.6%
Corporate (**)	(49,083)	-2.8%	(35,208)	-2.6%	(13,875)	-39.4%
Total	**392,783**	**22.7%**	**233,924**	**17.2%**	**158,859**	**67.9%**

(€ thousands)	FY 2019 w/o IFRS 16 (*)	EBITDA Margin	FY 2018	EBITDA Margin	Change	Change %
EMEA	245,502	19.6%	179,160	18.8%	66,342	37.0%
Americas	60,456	21.2%	46,193	19.9%	14,263	30.9%
Asia Pacific	44,319	23.6%	43,779	25.1%	540	1.2%
Corporate (**)	(49,083)	-2.8%	(35,208)	-2.6%	(13,875)	-39.4%
Total	**301,194**	**17.4%**	**233,924**	**17.2%**	**67,270**	**28.8%**

(€ thousands)	Fourth quarter 2019	EBITDA Margin	Fourth quarter 2018	EBITDA Margin	Change	Change %
EMEA	116,841	31.1%	70,285	24.2%	46,556	66.2%
Americas	19,865	24.2%	13,917	21.8%	5,948	42.7%
Asia Pacific	13,335	28.0%	8,836	20.6%	4,499	50.9%
Corporate (**)	(19,868)	-3.9%	(9,678)	-2.4%	(10,190)	-105.3%
Total	**130,173**	**25.7%**	**83,360**	**20.9%**	**46,813**	**56.2%**

(€ thousands)	Fourth quarter 2019 w/o IFRS 16 (*)	EBITDA Margin	Fourth quarter 2018	EBITDA Margin	Change	Change %
EMEA	97,125	25.8%	70,285	24.2%	26,840	38.2%
Americas	18,897	23.1%	13,917	21.8%	4,980	35.8%
Asia Pacific	10,397	21.9%	8,836	20.6%	1,561	17.7%
Corporate (**)	(19,868)	-3.9%	(9,678)	-2.4%	(10,190)	-105.3%
Total	**106,551**	**21.0%**	**83,360**	**20.9%**	**23,191**	**27.8%**

(*) For the sake of comparison, 2019 unaudited figures are shown without the application of IFRS 16.
(**) Centralized costs are shown as a percentage of the Group's total sales.

Europe, Middle-East and Africa

Gross operating profit (EBITDA), determined based on the new IFRS 16, amounted to €300,139 thousand (with an EBITDA margin of 23.9%) in 2019.
If IFRS 16 had not been applied, EBITDA would have amounted to €223,267 thousand, an increase against the comparison period of €44,642 thousand (+25.0%), including the €662 thousand in foreign exchange gains. The EBITDA margin would have reached 17.8%, a decrease of 1.0 p.p. against the comparison period.
The result posted in the period was impacted by the €22,235 thousand in non-recurring costs relating to the integration of GAES. In the comparison period non-recurring costs relating to the GAES acquisition of €535 thousand were also incurred.
Net of this item and excluding IFRS 16 application, EBITDA would have been €66,342 thousand higher (+37.0%) with an EBITDA margin of 19.6% (+0.8 p.p. against the comparison period).

In the fourth quarter alone, gross operating profit (EBITDA), determined based on the new IFRS 16, amounted to €113,092 thousand (with an EBITDA margin of 30.1%).
Excluding the impact of IFRS 16 application, EBITDA would have amounted to €93,415 thousand, an increase against the comparison period of €23,666 thousand (+33.9%), including the positive foreign exchange differences of €177 thousand. The EBITDA margin would have reached 24.8%, an increase of 0.8 p.p. against the comparison period.
The result posted in the period reflects non-recurring costs of €3,710 thousand relating to the integration of GAES. In the comparison period non-recurring costs relating to the GAES acquisition of €535 thousand were also incurred.
Net of this item and excluding IFRS 16 application, EBITDA would have been €26,840 thousand higher (+38.2%) with an EBITDA margin of 25.8% (+1.6 p.p. against the comparison period).

Americas

Gross operating profit (EBITDA), determined based on the new IFRS 16, amounted to €64,545 thousand (with an EBITDA margin of 22.6%) in 2019.
If IFRS 16 had not been applied, EBITDA would have amounted to €60,360 thousand, an increase against the comparison period of €14,167 thousand (+30.7%), thanks also to positive foreign exchange differences of €2,987 thousand. The EBITDA margin would have reached 21.2%, an increase of 1.3 p.p. against the comparison period.
The result was impacted marginally (€96 thousand) by the non-recurring costs incurred relating to the integration of GAES.

In the fourth quarter alone, gross operating profit (EBITDA), determined based on the new IFRS 16, amounted to €19,793 thousand (with an EBITDA margin of 24.1%).
Excluding the impact of IFRS 16 application, EBITDA would have amounted to €18,826 thousand, an increase against the comparison period of €4,909 thousand (+35.3%) including the positive foreign exchange differences of €661 thousand. The EBITDA margin would have reached 23.0%, an increase of 1.2 p.p. with respect to the comparison period.
The result was impacted marginally (€71 thousand) by the non-recurring costs incurred relating to the integration of GAES.

Asia Pacific

Gross operating profit (EBITDA), determined based on the new IFRS 16, amounted to €54,989 thousand (with an EBITDA margin of 29.3%) in 2019.
If IFRS 16 had not been applied, EBITDA would have amounted to €44,319 thousand, an increase against the comparison period of €540 thousand (+1.2%) attributable also to negative foreign exchange differences of €681 thousand. The EBITDA margin would have reached 23.6%, a decrease of 1.5 p.p. against the comparison period.

In the fourth quarter alone, gross operating profit (EBITDA), determined based on the new IFRS 16, amounted to €13,335 thousand (with an EBITDA margin of 28.0%).
If IFRS 16 had not been applied, EBITDA would have amounted to €10,397 thousand, an increase against the comparison period of €1,561 thousand (+17.7%) despite the negative foreign exchange differences of €174 thousand. The EBITDA margin would have reached 21.9%, an increase of 1.3 p.p. against the comparison period.

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 €49,083 thousand in 2019 (2.8% of the revenues generated by the Group's sales and services), an increase of €5,953 thousand with respect to the same period of the prior year.
The result posted in the comparison period was affected by €7,922 thousand in non-recurring costs relating to the GAES acquisition. Net of this item the centralized corporate costs would have been €13,875 thousand higher, reaching 2.8% of the revenues generated by the Group's sales compared to 2.6% in the comparison period.

In the fourth quarter alone, centralized corporate costs amounted to €19,868 thousand (3.9% of the revenues generated by Group's sales and services), an increase of €8,272 thousand with respect to the comparison period. The result posted in the comparison period reflects the same non-recurring costs referred to above which amounted to €1,918 thousand. Net of this item the centralized corporate costs were €10,190 thousand higher or 3.9% of the revenues generated by the Group's sales compared to 2.4% in the comparison period.

OPERATING PROFIT (EBIT)

(€ thousands)	FY 2019			FY 2018		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Operating profit (loss) (EBIT)	201,305	(24,214)	177,091	161,767	(8,457)	153,310

(€ thousands)	FY 2019 W/O IFRS 16 (*)			FY 2018		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Operating profit (loss) (EBIT)	197,168	(24,248)	172,920	161,767	(8,457)	153,310

(€ thousands)	FOURTH QUARTER 2019			FOURTH QUARTER 2018		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Operating profit (loss) (EBIT)	76,596	(5,478)	71,118	62,958	(2,453)	60,505

(€ thousands)	FOURTH QUARTER 2019 W/O IFRS 16 (*)			FOURTH QUARTER 2018		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Operating profit (loss) (EBIT)	76,023	(5,500)	70,523	62,958	(2,453)	60,505

(*) For the sake of comparison, 2019 unaudited figures are shown without the application of IFRS 16.

Operating profit (EBIT), determined based on the new IFRS 16, came to €177,091 thousand (with an EBIT margin of 10.2%) in 2019.
If IFRS 16 had not been applied, EBIT would have reached €172,920 thousand, an increase against the comparison period of €19,610 thousand (+12.8%), boosted also by the positive foreign exchange differences of €2,621 thousand. The EBIT margin would have come to 10.0%, a decrease of 1.3 p.p. against the comparison period.
The operating result posted in the period was impacted by €24,248 thousand in non-recurring costs relating to the integration of GAES, different than those described in the section on EBITDA, tied to the write-down of a few non-current assets following integration of the sales network. The comparison period was also impacted by the same non-recurring costs of €8,457 described in the section on EBITDA.
Net of these items and excluding IFRS 16 application, EBIT would have been €35,401 thousand higher (+21.9%) with an EBIT margin of 11.4% (-0.5 p.p. against the comparison period).

With respect to the gross operating profit (EBITDA), EBIT was also influenced by higher depreciation and amortization as a result of the opening of new stores, investments in IT systems and, above all, the allocation of the price paid for the GAES Group's tangible and intangible assets of €14,029 thousand.

In the fourth quarter alone operating profit (EBIT), determined based on the new IFRS 16, amounted to €71,118 thousand (with an EBIT margin of 14.0%).
Excluding the impact of IFRS 16 application, EBIT would have reached €70,523 thousand, an increase against the comparison period of €10,018 thousand (+16.6%) which also reflects the positive foreign exchange differences of €530 thousand. The EBIT margin would have come to 13.9%, a decrease of 1.2 p.p. with respect to the comparison period.
The result posted in the period was impacted by €5,500 thousand in non-recurring costs relating to the integration of GAES, different than those described in the section on EBITDA, tied to the write-down of non-current assets following integration of the sales network. The comparison period was also impacted by the same non-recurring costs of €2,453 described in the section on EBITDA.
Net of these items and excluding IFRS 16 application, EBIT would have been €13,065 thousand higher (+20.8%) with an EBITDA margin of 15.0%, -0.8 p.p. against the comparison period.

The impact of the increased amortization and depreciation stemming from the allocation to tangible and intangible assets of part of the price paid for the GAES Group acquisition came to €3,528 thousand in the period.

The following table shows a breakdown of EBIT by segment.

(€ thousands)	FY 2019	EBIT Margin	FY 2018	EBIT Margin	Change	Change %
EMEA	152,439	12.2%	132,229	13.9%	20,210	15.3%
Americas	52,549	18.4%	40,939	17.7%	11,610	28.4%
Asia Pacific	30,486	16.2%	30,113	17.3%	373	1.2%
Corporate (**)	(58,383)	-3.4%	(49,971)	-3.7%	(8,412)	-16.8%
Total	**177,091**	**10.2%**	**153,310**	**11.3%**	**23,781**	**15.5%**

(€ thousands)	FY 2019 w/o IFRS 16 (*)	EBIT Margin	FY 2018	EBIT Margin	Change	Change %
EMEA	149,320	11.9%	132,229	13.9%	17,091	12.9%
Americas	52,132	18.3%	40,939	17.7%	11,193	27.3%
Asia Pacific	29,851	15.9%	30,113	17.3%	(262)	-0.9%
Corporate (**)	(58,383)	-3.4%	(49,971)	-3.7%	(8,412)	-16.8%
Total	**172,920**	**10.0%**	**153,310**	**11.3%**	**19,610**	**12.8%**

(€ thousands)	Fourth quarter 2019	EBIT Margin	Fourth quarter 2018	EBIT Margin	Change	Change %
EMEA	71,440	19.0%	57,198	19.7%	14,242	24.9%
Americas	15,512	18.9%	12,507	19.6%	3,005	24.0%
Asia Pacific	6,694	14.1%	5,261	12.3%	1,433	27.2%
Corporate (**)	(22,528)	-4.4%	(14,461)	-3.6%	(8,067)	-55.8%
Total	**71,118**	**14.0%**	**60,505**	**15.1%**	**10,613**	**17.5%**

(€ thousands)	Fourth quarter 2019 w/o IFRS 16 (*)	EBIT Margin	Fourth quarter 2018	EBIT Margin	Change	Change %
EMEA	70,939	18.9%	57,198	19.7%	13,741	24.0%
Americas	15,518	18.9%	12,507	19.6%	3,011	24.1%
Asia Pacific	6,594	13.9%	5,261	12.3%	1,333	25.3%
Corporate (**)	(22,528)	-4.4%	(14,461)	-3.6%	(8,067)	-55.8%
Total	**70,523**	**13.9%**	**60,505**	**15.1%**	**10,018**	**16.6%**

(*) For the sake of comparison, 2019 unaudited figures are shown without the application of IFRS 16.
(**) Centralized costs are shown as a percentage of the Group's total sales.

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

(€ thousands)	FY 2019	EBIT Margin	FY 2018	EBIT Margin	Change	Change %
EMEA	176,557	14.1%	132,764	13.9%	43,793	33.0%
Americas	52,645	18.4%	40,939	17.7%	11,706	28.6%
Asia Pacific	30,486	16.2%	30,113	17.3%	373	1.2%
Corporate (**)	(58,383)	-3.4%	(42,049)	-3.1%	(16,334)	-38.8%
Total	**201,305**	**11.6%**	**161,767**	**11.9%**	**39,538**	**24.4%**

(€ thousands)	FY 2019 w/o IFRS 16 (*)	EBIT Margin	FY 2018	EBIT Margin	Change	Change %
EMEA	173,471	13.8%	132,764	13.9%	40,707	30.7%
Americas	52,229	18.3%	40,939	17.7%	11,290	27.6%
Asia Pacific	29,851	15.9%	30,113	17.3%	(262)	-0.9%
Corporate (**)	(58,383)	-3.4%	(42,049)	-3.1%	(16,334)	-38.8%
Total	**197,168**	**11.4%**	**161,767**	**11.9%**	**35,401**	**21.9%**

(€ thousands)	Fourth quarter 2019	EBIT Margin	Fourth quarter 2018	EBIT Margin	Change	Change %
EMEA	76,847	20.4%	57,733	19.8%	19,114	33.1%
Americas	15,583	19.0%	12,507	19.6%	3,076	24.6%
Asia Pacific	6,694	14.1%	5,261	12.3%	1,433	27.2%
Corporate (**)	(22,528)	-4.4%	(12,543)	-3.1%	(9,985)	-79.6%
Total	**76,596**	**15.1%**	**62,958**	**15.8%**	**13,638**	**21.7%**

(€ thousands)	Fourth quarter 2019 w/o IFRS 16 (*)	EBIT Margin	Fourth quarter 2018	EBIT Margin	Change	Change %
EMEA	76,367	20.3%	57,733	19.8%	18,634	32.3%
Americas	15,590	19.0%	12,507	19.6%	3,083	24.7%
Asia Pacific	6,594	13.9%	5,261	12.3%	1,333	25.3%
Corporate (**)	(22,528)	-4.4%	(12,543)	-3.1%	(9,985)	-79.6%
Total	**76,023**	**15.0%**	**62,958**	**15.8%**	**13,065**	**20.8%**

(*) For the sake of comparison, 2019 unaudited figures are shown without the application of IFRS 16.
(**) Centralized costs are shown as a percentage of the Group's total sales.

Europe, Middle-East and Africa

Operating profit (EBIT), determined based on the new IFRS 16, came to €152,439 thousand (with an EBIT margin of 12.2%) in 2019.
If IFRS 16 had not been applied, EBIT would have reached €149,320 thousand, an increase against the comparison period of €17,091 thousand (+12.9%), including the positive foreign exchange differences of €514 thousand. The EBIT margin would have come to 11.9% (-2.0 p.p. against the comparison period).
The result posted in the comparison period was impacted by €24,151 thousand in non-recurring costs relating to the integration of GAES, different than those described in the section on EBITDA, tied to the write-down of a few non-current assets following integration of the sales network. Non-recurring costs of €535 thousand relating to the GAES acquisition were also incurred in the comparison period.
Net of this item and excluding IFRS 16 application, EBIT would have been €40,707 thousand higher (+30.7%) with an EBIT margin of 13.8% (-0.1 p.p. against the comparison period).
The increased amortization and depreciation stemming from the allocation to tangible and intangible assets of part of the price paid for the GAES Group acquisition totalled €13,660 thousand.

In the fourth quarter alone operating profit (EBIT), determined based on the new IFRS 16, amounted to €71,440 thousand (with an EBIT margin of 19.0%).
Excluding the impact of IFRS 16 application, EBIT would have reached €70,939 thousand, an increase against the comparison period of €13,741 thousand (+24.0%) including the positive foreign exchange differences of €128 thousand. The EBIT margin would have come to 18.9%, a decrease of 0.8 p.p. with respect to the comparison period.
The result posted in the period reflects €5,428 thousand in non-recurring costs relating to the integration of GAES, different than those described in the section on EBITDA, tied to the write-down of a few non-current assets following integration of the sales network. Non-recurring costs of €535 thousand relating to the GAES acquisition were also posted in the comparison period.
Net of these items and excluding IFRS 16 application, EBIT would have been €18,634 thousand higher (+32.3%) with an EBIT margin of 20.3% (+0.5 p.p. against the comparison period).
The impact of the increased amortization and depreciation stemming from the allocation to tangible and intangible assets of part of the price paid for the GAES Group acquisition came to €3,415 thousand.

Americas

Operating profit (EBIT), determined based on the new IFRS 16, came to €52,549 thousand (with an EBIT margin of 18.4%) in 2019.
If IFRS 16 had not been applied, EBIT would have reached €52,132 thousand, an increase against the comparison period of €11,193 thousand (+27.3%) attributable also to the positive foreign exchange differences of €2,701 thousand. The EBIT margin would have come to 18.3% (+0.6 p.p. against the comparison period).
EBIT was impacted marginally (€96 thousand) in the period by the non-recurring costs described above in the section on EBITDA and the impact of the increased amortization and depreciation stemming from the allocation to tangible and intangible assets of part of the price paid for the GAES acquisition which came to €369 thousand.

In the fourth quarter alone operating profit (EBIT), determined based on the new IFRS 16, amounted to €15,512 thousand (with an EBIT margin of 18.9%).
If IFRS 16 had not been applied, EBIT would have reached €15,518 thousand, an increase against the comparison period of €3,011 thousand (+24.1%), including the positive foreign exchange differences of €588 thousand. The EBIT margin would have come to 18.9% (-0.7 p.p. against the comparison period).
The impact of the increased amortization and depreciation stemming from the allocation to tangible and intangible assets of part of the price paid for the GAES Group acquisition came to €113 thousand.

Asia Pacific

Operating profit (EBIT), determined based on the new IFRS 16, came to €30,486 thousand (with an EBIT margin of 16.2%) in 2019.
If IFRS 16 had not been applied, EBIT would have come to €29,851 thousand, a decrease against the comparison period of €262 thousand (-0.9%), including the negative foreign exchange differences of €595 thousand. The EBIT margin would have come to 15.9%, a decrease of 1.4 p.p. against the comparison period. This change is basically in line with the change in EBITDA described above.

In the fourth quarter alone operating profit (EBIT), determined based on the new IFRS 16, amounted to €6,694 thousand (with an EBIT margin of 14.1%).
If IFRS 16 had not been applied, EBIT would have come to €6,594 thousand, an increase against the comparison period of €1,333 thousand (+25.3%), including the negative foreign exchange differences of €186 thousand. The EBIT margin would have come to 13.9%, 1.6 p.p. higher than in the comparison period due largely to the decrease in EBITDA described above.

Corporate

The net costs of centralized Corporate functions at the EBIT level amounted to €58,383 thousand in 2019 (3.4% of the revenues generated by the Group's sales and services), an increase of €8,412 thousand with respect to the comparison period. The comparison period had been impacted by the same €7,922 thousand (€1,918 thousand of which incurred in the fourth quarter alone) in non-recurring costs described in the section on EBITDA. Excluding this item, the net costs of centralized corporate functions would have been €16,334 higher or 3.4% of Group revenues versus 3.1% in the comparison period.

These net costs amounted to €22,528 thousand (4.4% of the revenues generated by the Group's sales and services) in the fourth quarter alone, an increase of €8,067 thousand with respect to the comparison period. Net of the same non-recurring item described above, the corporate costs would have been €9,985 thousand higher or 4.4% of the Group revenues versus 3.1% in the comparison period.

PROFIT BEFORE TAX

(€ thousands)	FY 2019			FY 2018		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Profit (loss) before tax	**174,353**	**(24,214)**	**150,139**	**147,682**	**(9,106)**	**138,576**

(€ thousands)	FY 2019 W/O IFRS 16 (*)			FY 2018		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Profit (loss) before tax	**181,507**	**(24,248)**	**157,259**	**147,682**	**(9,106)**	**138,576**

(€ thousands)	FOURTH QUARTER 2019			FOURTH QUARTER 2018		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Profit (loss) before tax	**69,359**	**(5,478)**	**63,881**	**60,920**	**(3,035)**	**57,885**

(€ thousands)	FOURTH QUARTER 2019 W/O IFRS 16 (*)			FOURTH QUARTER 2018		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Profit (loss) before tax	**71,597**	**(5,500)**	**66,097**	**60,920**	**(3,035)**	**57,885**

(*) For the sake of comparison, 2019 unaudited figures are shown without the application of IFRS 16.

Profit before tax amounted to €150,139 thousand in 2019 (with a gross profit margin of 8.7%) determined in accordance with the new IFRS 16 which prescribes the recognition of the interest paid on leased. Based on the accounting standards applied in the prior year, profit before tax would have come to €157,259 thousand (with a gross profit margin of 9.1%), an increase of €18,683 thousand (+13.5%) compared to the profit before tax posted in the comparison period which is consistent with the increase in EBIT described above.

Financial expenses were largely in line with 2018 even though average debt was considerably higher due to the GAES acquisition. The rates of the Eurobond repaid in July 2018 were significantly higher compared to the cost of the credit lines used for refinancing and the GAES Group acquisition loan.

The period under examination was impacted by non-recurring costs of €24,248 thousand relating to the acquisition of the GAES Group in December 2018 and its integration, as described in the sections on EBITDA and EBIT. The comparison period had also been impacted by non-recurring costs relating to GAES of €9,106 thousand.
Net of these one-offs and based on the same accounting standards, the increase in profit before tax reaches €33,826 thousand (+22.9%).

In the fourth quarter alone, profit before tax, determined based on the new accounting standards amounted to €63,881 thousand (with a gross profit margin of 12.6%).
Financial expenses were slightly higher in the fourth quarter compared to the comparison period due to the interest payable on the loan granted in December 2018 for the GAES acquisition, while in the comparison period the Eurobond had been repaid in the beginning of July.
Based on the accounting standards applied in the prior year, profit before tax would have come to €66,097 thousand (with a gross profit margin of 13.0%), an increase of €8,212 thousand (+14.2%), compared to the Group's profit before tax posted in the comparison period.

NET PROFIT ATTRIBUTABLE TO THE GROUP

(€ thousands)	FY 2019			FY 2018		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Group net profit (loss)	127,062	(18,396)	108,666	107,116	(6,673)	100,443

(€ thousands)	FY 2019 W/O IFRS 16 (*)			FY 2018		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Group net profit (loss)	132,665	(18,422)	114,243	107,116	(6,673)	100,443

(€ thousands)	FOURTH QUARTER 2019			FOURTH QUARTER 2018		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Group net profit (loss)	51,379	(4,377)	47,002	45,102	(2,296)	42,806

(€ thousands)	FOURTH QUARTER 2019 W/O IFRS 16 (*)			FOURTH QUARTER 2018		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Group net profit (loss)	53,105	(4,393)	48,712	45,102	(2,296)	42,806

(*) For the sake of comparison with the 2018 as reported figures, the figures for 2019 are shown excluding application of IFRS 16.

The Group's net profit, determined based on the new accounting standards in effect as of January 1st, came to €108,666 thousand (with a profit margin of 6.3%) in 2019. Based on the accounting standards applied in the prior year, the Group's net profit would have amounted to €114,243 thousand (with a profit margin of 6.6%), an increase of €13,800 thousand. Recurring net profit would have shown an increase of €25,549 thousand (+23.9%) against the Group's recurring net profit in the comparison period.

The tax rate came to 27.7% compared to 27.5% at 31 December 2018. Based on the accounting standards applied in the prior year, the tax rate would have been 27.4%.

In the fourth quarter alone, the Group's net profit, determined based on the new accounting standards, came to €47,002 thousand (with a profit margin of 9.3%). Based on the accounting standards applied in the prior year, the Group's net profit would have amounted to €48,712 thousand (with a profit margin of 9.6%), an increase of €5,906 thousand (+13.8%) against the net profit recorded by the Group in the comparison period.

BALANCE SHEET REVIEW

CONSOLIDATED BALANCE SHEET BY GEOGRAPHICAL AREA (*)

(€ thousands)	12/31/2019				
	EMEA	Americas	Asia Pacific	Eliminations	Total
Goodwill	839,802	126,418	249,291	-	1,215,511
Non-competition agreements, trademarks, customer lists and lease rights	224,288	10,189	35,830	-	270,307
Software, licenses, other intangible fixed assets, fixed assets in progress and advances	67,386	20,068	9,747	-	97,201
Tangible assets	158,390	10,450	27,739	-	196,579
Right-of-use assets	361,739	18,300	38,390	-	418,429
Financial fixed assets	3,797	41,090	-	-	44,887
Other non-current financial assets	30,833	389	1,060	-	32,282
Non-current assets	**1,686,235**	**226,904**	**362,057**	**-**	**2,275,196**
Inventories	55,834	4,433	4,325	-	64,592
Trade receivables	156,933	44,125	19,179	(15,018)	205,219
Other receivables	64,690	6,811	7,631	(3,134)	75,998
Current assets (A)	**277,457**	**55,369**	**31,135**	**(18,152)**	**345,809**
Operating assets	**1,963,692**	**282,273**	**393,192**	**(18,152)**	**2,621,005**
Trade payables	(127,909)	(40,928)	(23,571)	15,018	(177,390)
Other payables	(247,315)	(18,056)	(22,590)	3,134	(284,827)
Provisions for risks and charges (current portion)	(3,650)	(592)	-	-	(4,242)
Current liabilities (B)	**(378,874)**	**(59,576)**	**(46,161)**	**18,152**	**(466,459)**
Net working capital (A) - (B)	**(101,417)**	**(4,207)**	**(15,026)**	**-**	**(120,650)**
Derivative instruments	(8,763)	-	-	-	(8,763)
Deferred tax assets	73,434	3,400	4,593	-	81,427
Deferred tax liabilities	(70,398)	(21,265)	(10,448)	-	(102,111)
Provisions for risks and charges (non-current portion)	(17,620)	(32,406)	(264)	-	(50,290)
Liabilities for employees' benefits (non-current portion)	(24,143)	(130)	(1,008)	-	(25,281)
Loan fees	1,611	-	-	-	1,611
Other non-current liabilities	(133,005)	(8,714)	(1,982)	-	(143,701)
Net invested capital	**1,405,934**	**163,582**	**337,922**	**-**	**1,907,438**
Group net equity					695,031
Minority interests					1,084
Total net equity					**696,115**
Net medium and long-term financial indebtedness					752,648
Net short-term financial indebtedness					34,050
Total net financial indebtedness					**786,698**
Lease liabilities					424,625
Total lease liabilities & net financial indebtedness					**1,211,323**
Net equity, lease liabilities and net financial indebtedness					**1,907,438**

(*) 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)	12/31/2018 [**]				
	EMEA	Americas	Asia Pacific	Eliminations	Total
Goodwill	793,469	122,184	245,945	-	1,161,598
Non-competition agreements, trademarks, customer lists and lease rights	228,048	10,331	41,027	-	279,406
Software, licenses, other intangible fixed assets, fixed assets in progress and advances	56,303	14,654	9,039	-	79,996
Tangible assets	155,346	9,807	23,815	-	188,968
Financial fixed assets	4,170	37,376	-	-	41,546
Other non-current financial assets	25,606	298	848	-	26,752
Non-current assets	**1,262,942**	**194,650**	**320,674**	**-**	**1,778,266**
Inventories	53,286	5,084	3,343	-	61,713
Trade receivables	124,424	33,247	13,412	(1,629)	169,454
Other receivables	64,007	9,211	4,081	(7)	77,292
Current assets (A)	**241,717**	**47,542**	**20,836**	**(1,636)**	**308,459**
Operating assets	**1,504,659**	**242,192**	**341,510**	**(1,636)**	**2,086,725**
Trade payables	(123,002)	(39,716)	(12,011)	1,629	(173,100)
Other payables	(212,445)	(14,401)	(18,147)	7	(244,986)
Provisions for risks and charges (current portion)	(3,813)	(1,103)	-	-	(4,916)
Current liabilities (B)	**(339,260)**	**(55,220)**	**(30,158)**	**1,636**	**(423,002)**
Net working capital (A) - (B)	**(97,543)**	**(7,678)**	**(9,322)**	**-**	**(114,543)**
Derivative instruments	(10,876)	-	-	-	(10,876)
Deferred tax assets	69,295	1,624	4,285	-	75,204
Deferred tax liabilities	(69,677)	(17,337)	(11,918)	-	(98,932)
Provisions for risks and charges (non-current portion)	(21,862)	(27,240)	(517)	-	(49,619)
Liabilities for employees' benefits (non-current portion)	(18,368)	(177)	(1,745)	-	(20,290)
Loan fees	3,795	-	-	-	3,795
Other non-current liabilities	(116,749)	(6,872)	(2,581)	-	(126,202)
Net invested capital	**1,000,957**	**136,970**	**298,876**	**-**	**1,436,803**
Group net equity					594,919
Minority interests					1,028
Total net equity					**595,947**
Net medium and long-term financial indebtedness					877,688
Net short-term financial indebtedness					(36,832)
Total net financial indebtedness					**840,856**
Net equity and net financial indebtedness					**1,436,803**

[**] 2018 Balance Sheet has been restated for the allocation of the GAES acquisition price.

INVESTMENTS

In 2019 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 and relocating existing ones for a total investment of almost €33.3 million. Increased customer focus and the desire to increase control of operations also drove IT investments, where a lot of work was done on both the CRM systems and digital marketing, on technological infrastructure, as well as on store and back office operating systems with the implementation of a new cloud ERP system which will gradually be used by the entire Group.

NON-CURRENT ASSETS

Non-current assets amounted to €2,275,196 thousand at 31 December 2019, an increase of €496,930 thousand against the €1,778,266 thousand recorded at 31 December 2018. IFRS 16 was applied using the modified retrospective approach which does not call for the restatement of 2018 figures.

The changes in the period are explained (i) for €442,063 thousand by the recognition of right-of use assets following application of IFRS 16 as of 1 January 2019; (ii) for €91,113 thousand by capital expenditure; (iii) for €61,256 thousand by right-of-use assets; (iv) for € 80,243 thousand by acquisitions; (v) for €193,499 thousand by depreciation, amortization and impairment which includes the amortization of the above right-of-use assets; (vi) for €15,754 thousand by other net increases relating primarily to foreign exchange gains.

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

(€ thousands)		12/31/2019	12/31/2018 (*)	Change
EMEA	Goodwill	839,802	793,469	46,333
	Non-competition agreements, trademarks, customer lists and lease rights	224,288	228,048	(3,760)
	Software, licenses, other intangible fixed assets, fixed assets in progress and advances	67,386	56,303	11,083
	Tangible assets	158,390	155,346	3,044
	Right-of-use assets	361,739	-	361,739
	Financial fixed assets	3,797	4,170	(373)
	Other non-current financial assets	30,833	25,606	5,227
	Non-current assets	**1,686,235**	**1,262,942**	**423,293**
Americas	Goodwill	126,418	122,184	4,234
	Non-competition agreements, trademarks, customer lists and lease rights	10,189	10,331	(142)
	Software, licenses, other intangible fixed assets, fixed assets in progress and advances	20,068	14,654	5,414
	Tangible assets	10,450	9,807	643
	Right-of-use assets	18,300	-	18,300
	Financial fixed assets	41,090	37,376	3,714
	Other non-current financial assets	389	298	91
	Non-current assets	**226,904**	**194,650**	**32,254**
Asia Pacific	Goodwill	249,291	245,945	3,346
	Non-competition agreements, trademarks, customer lists and lease rights	35,830	41,027	(5,197)
	Software, licenses, other intangible fixed assets, fixed assets in progress and advances	9,747	9,039	708
	Tangible assets	27,739	23,815	3,924
	Right-of-use assets	38,390	-	38,390
	Financial fixed assets	-	-	-
	Other non-current financial assets	1,060	848	212
	Non-current assets	**362,057**	**320,674**	**41,383**

(*) 2018 Balance Sheet has been restated for the allocation of the GAES acquisition price.

Europe, Middle-East and Africa

Non-current assets amounted to €1,686,235 thousand at 31 December 2019, an increase of €423,293 thousand against the €1,262,942 thousand recorded at 31 December 2018.

The increase is explained:

- for €392,104 thousand, by the recognition of right-of-use assets following application of IFRS 16 beginning 1 January 2019;
- for €74,850 thousand, by acquisitions;
- for €37,935 thousand, by investments in plant, property and equipment, relating primarily to the opening of new and renewal of existing stores;
- for €29,040 thousand, by investments in intangible assets, relating primarily to further improvements of the CRM systems, digital marketing and a new business transformation system for back office functions (Human Resources, Procurement, Administration and Finance);
- for €40,249 thousand, by right-of-use assets;
- for €157,000 thousand, by amortization, depreciation and impairment which includes the amortization and depreciation of the right-of-use assets referred to above;
- for €6,115 thousand, by other net increases.

Americas

Non-current assets amounted to €226,904 thousand at 31 December 2019, an increase of €32,254 thousand against the €194,650 thousand recorded at 31 December 2018.

The increase is explained:

- for €11,942 thousand, by the recognition of right-of-use assets following application of IFRS 16 beginning 1 January 2019;
- for €3,327 thousand, by investments in plant, property and equipment;
- for €7,478 thousand, by investments in intangible assets;
- for €10,594 thousand, by right-of-use assets;
- for €5,393 thousand, by acquisitions;
- for €11,996 thousand, by amortization and depreciation which includes the amortization and depreciation of the right-of-use assets referred to above;
- for €5,516 thousand, by other net increases relating primarily to foreign exchange gains.

Asia Pacific

Non-current assets amounted to €362,057 thousand at 31 December 2019, an increase of €41,383 thousand against the €320,674 thousand recorded at 31 December 2018.

The increase is explained:

- for €38,017 thousand, by the recognition of right-of-use assets following application of IFRS 16 beginning 1 January 2019;
- for €9,251 thousand, by investments in plant, property and equipment;
- for €4,028 thousand, by investments in intangible assets;
- for €10,413 thousand, by right-of-use assets;
- for €24,503 thousand, by amortization and depreciation which includes the amortization and depreciation of the right-of-use assets referred to above;
- for €4,123 thousand, by other net increases relating primarily to foreign exchange gains.

NET INVESTED CAPITAL

Net invested capital came to €1,907,438 thousand at 31 December 2019, an increase of €470,635 thousand against the €1,436,803 thousand recorded at 31 December 2018. IFRS 16 was applied using the modified retrospective approach which does not call for the restatement of 2018 figures.

This increase is attributable to the change in non-current assets described above and the improvement in working capital which was partially offset by the increase in contract liabilities.

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

(€ thousands)	12/31/2019	12/31/2018 (*)	Change
EMEA	1,405,934	1,000,957	404,977
Americas	163,582	136,970	26,612
Asia Pacific	337,922	298,876	39,046
Total	**1,907,438**	**1,436,803**	**470,635**

(*) 2018 Balance Sheet has been restated for the allocation of the GAES acquisition price.

Europe, Middle-East and Africa

Net invested capital came to €1,405,934 thousand at 31 December 2019, an increase of €404,977 thousand against the €1,000,957 thousand recorded at 31 December 2018.
This increase is attributable to the change in non-current assets described above and the improvement in working capital which was partially offset by the increase in contract liabilities.

Factoring without recourse in the period involved trade receivables with a face value of €75,222 thousand (€69,562 thousand in the same period of the prior year) and tax credits (VAT and IRES) with a face value of €31,402 thousand (€24,266 thousand in the same period of the prior year).

Americas

Net invested capital came to €163,582 thousand at 31 December 2019, an increase of €26,612 thousand against the €136,970 thousand recorded at 31 December 2018.
The increase is attributable to the change in non-current assets described above and the rise in working capital which was partially offset by the increase in contract liabilities.

Asia Pacific

Net invested capital came to €337,922 thousand at 31 December 2019, an increase of €39,046 thousand against the €298,876 thousand recorded at 31 December 2018.
The increase is attributable to the change in non-current assets described above and the rise in working capital.

NET FINANCIAL POSITION

(€ thousands)	12/31/2019	12/31/2018 (*)	Change
Net medium and long-term financial indebtedness	752,648	877,688	(125,040)
Net short-term financial indebtedness	172,421	53,083	119,338
Cash and cash equivalents	(138,371)	(89,915)	(48,456)
Net financial indebtedness	**786,698**	**840,856**	**(54,158)**
Group net equity	695,031	594,919	100,112
Minority interests	1,084	1,028	56
Net Equity	**696,115**	**595,947**	**100,168**
Financial indebtedness/Group net equity	**1.13** (**)	**1.41** (***)	
Financial indebtedness/net equity	**1.13** (**)	**1.41** (***)	
Financial indebtedness/EBITDA	**1.90** (**)	**3.11** (***)	

(*) The statement of financial position as at 31 December 2018 has been restated for the allocation of the GAES acquisition price.
(**) Indicators re-defined together with the banks and the financial investors after the adoption of IFRS 9, 15 and 16, determining the covenants Financial indebtedness/Net equity at 1.65x (before 1.5x), and Financial indebtedness/EBITDA at 2.85x (before 3,5x).
(***) Indicators calculated in compliance with the previous definitions included in the syndicated loan for the GAES acquisition, before the adoption of IFRS 9, 15 and 16.

Net financial indebtedness, excluding lease liabilities, amounted to €786,698 thousand at 31 December 2019 reporting a decrease of €54,158 thousand with respect to the amount at 31 December 2018.

The decrease in debt is the direct consequence of the excellent level of cash flow generation with free cash flow reaching a positive €149,871 thousand (€110,320 thousand in the prior year) after absorbing capital expenditure of €88,878 thousand (€76,146 thousand in 2018), the acquisitions made in the year (€66,482 thousand) and the payment of dividends to shareholders (€30,939 thousand).

At 31 December 2019 the Group's total financial indebtedness, excluding lease liabilities, amounted to €786,698 thousand net of cash and cash equivalents totaling €138,371 thousand.

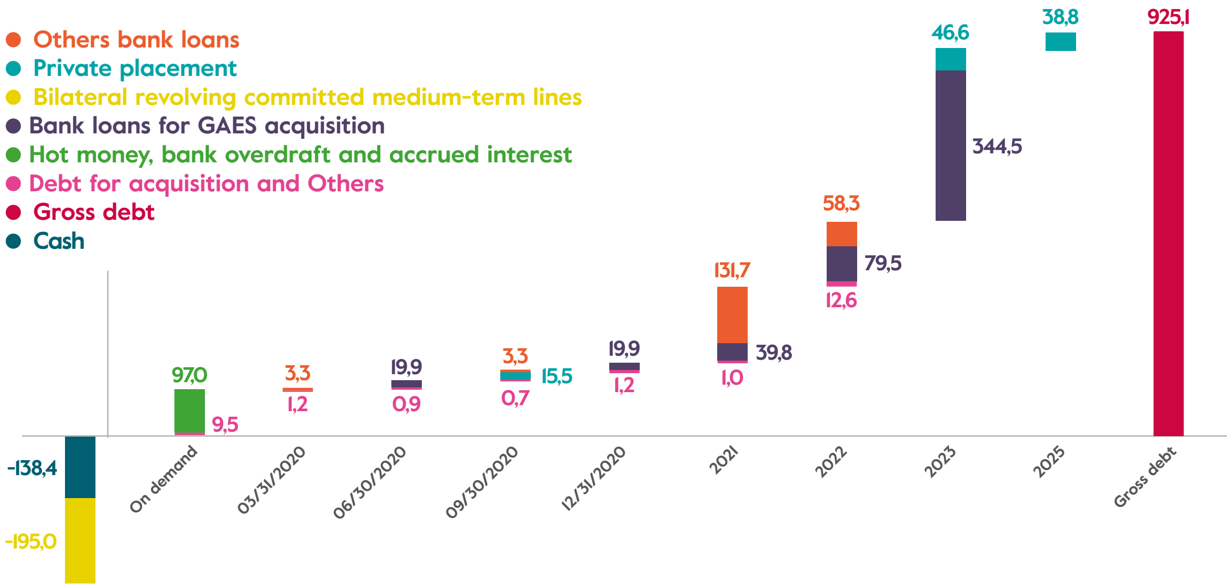
Long-term debt amounts to €752,648 thousand, €13,572 thousand of which reflects the long- term portion of deferred payments for acquisitions. The decrease of €125,040 thousand is attributable mainly to the substitution of revolving long-term credit lines, totalling €60 million, with hot money (included in short-term debt) at a better rate and the reclassification of a portion of the syndicated loan used to finance the GAES acquisition as short-term debt, along with a portion of the private placement and other long-term borrowings.

Short-term debt amounts to €172,421 thousand, an increase of €119,338 thousand attributable mainly to the decrease in long-term debt described above.
In addition to the hot money (€90,000 thousand), short-term debt includes the short-term portion of the syndicated loan (€39,750 thousand), the short-term portion of the private placement (€17,803 thousand), the short-term portion of other long-term bank loans (€6,666 thousand), interest payable on bank loans and the private placement (€2,389 thousand) and the best estimate of the deferred payments for acquisitions (€10,245 thousand).

The chart below shows that the first significant maturity is in 2021 and that the cash and cash equivalents of €138.4 million, the unutilized portions of irrevocable credit lines which amount to €195 million, as well as the €103,2 million in other available credit lines, ensure the flexibility needed to take advantage of any opportunities to consolidate and develop business that might materialize.

Debit maturity & Cash Equivalents at 12.31.2019

(€ million)



Interest expense on financial indebtedness amounted to €14,589 thousand at 31 December 2019, compared to €13,744 thousand at 31 December 2018.

The interest expense on leases accounted for in accordance with IFRS 16 amounted to €11,357 thousand.

Interest income on bank deposits came to €201 thousand at 31 December 2019, compared to €498 thousand at 31 December 2018.

The reasons for the changes in net financial indebtedness are described in the next section on the statement of cash flows.

RECLASSIFIED CASH FLOW STATEMENT

The reclassified cash flow statement shows the change in net financial position between the beginning and the end of the reported period.

Pursuant to IAS 7 the consolidated 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 2019	FY 2018
Operating activities		
Net profit (loss) attributable to the Group	108,666	100,443
Minority interests	(142)	(33)
Amortization, depreciation and impairment:		
• Intangible fixed assets	*60,927*	*37,052*
•Tangible fixed assets	*44,525*	*35,105*
• Right-of-use assets	*88,047*	-
Total amortization, depreciation and impairment	193,499	72,157
Provisions, other non-monetary items and gain/losses from disposals	26,770	19,743
Group's share of the result of associated companies	(370)	(547)
Financial income and charges	27,322	15,281
Current and deferred income taxes	41,615	38,166
Change in assets and liabilities:		
• Utilization of provisions	*(7,822)*	*(8,778)*
• (Increase) decrease in inventories	*(2,960)*	*(6,026)*
• Decrease (increase) in trade receivables	*(33,251)*	*(23,301)*
• Increase (decrease) in trade payables	*3,244*	*13,782*
• Changes in other receivables and other payables	*34,101*	*16,111*
Total change in assets and liabilities	(6,688)	(8,212)
Dividends received	188	380
Net interest charges	(24,122)	(14,322)
Taxes paid	(46,983)	(36,590)
Cash flow provided by (used in) operating activities before repayment of lease liabilities	**319,755**	**186,466**
Repayment of lease liabilities	(81,006)	-
Cash flow generated from (absorbed) by operating activities	**238,749**	**186,466**

(€ thousands)	FY 2019	FY 2018
Investing activities:		
Purchase of intangible fixed assets	(40,600)	(29,843)
Purchase of tangible fixed assets	(50,513)	(48,128)
Consideration from sale of tangible fixed assets and businesses	2,235	1,825
Cash flow generated from (absorbed) by investing activities	**(88,878)**	**(76,146)**
Cash flow generated from operating and investing activities (Free cash flow)	**149,871**	**110,320**
Business combinations (*)	(66,860)	(620,639)
(Purchase) sale of other investments and securities	378	452
Net cash flow generated from acquisitions	**(66,482)**	**(620,187)**
Cash flow generated from (absorbed) by investing activities	**(155,360)**	**(696,333)**
Financing activities:		
Fees paid on medium/long-term financing	-	(3,758)
Other non-current assets	2,678	1,901
Dividends	(30,939)	(24,079)
Treasury shares	-	(9,631)
Capital increases (reduction), third parties' contributions in subsidiaries and dividends paid to third parties by the subsidiaries	(134)	(22)
Cash flow generated from (absorbed) by financing activities	**(28,395)**	**(35,589)**
Changes in net financial indebtedness	**54,994**	**(545,456)**
Net financial indebtedness at the beginning of the period	(840,856)	(296,265)
Effect of discontinued operations on net financial indebtedness	(42)	22
Effect of exchange rate fluctuations on net financial indebtedness	(794)	843
Changes in net indebtedness	54,994	(545,456)
Net financial indebtedness at the end of the period	**(786,698)**	**(840,856)**

(*) The item refers to the net cash flows used in the acquisition of businesses and equity investments.

The change in net financial debt of €54,994 thousand is attributable to:

(i) Investing activities:
- capital expenditure on property, plant and equipment and intangible assets of €91,113 thousand relating primarily to the opening, renewal and repositioning of stores consistent with Amplifon's new brand image, CRM systems, digital marketing, as well as a new ERP system for back office functions (Human Resources, Procurement, Administration and Finance);
- acquisitions amounting to €66,860 thousand, including the impact of the acquired companies' debt and the best estimate of the earn-out linked to sales and profitability targets payable over the next few years;
- net proceeds from the disposal of assets of €2,613 thousand.

(ii) Operating activities:
- interest expense on financial indebtedness and other net financial expenses of €24,122 thousand (€11,357 thousand of which relative to interest expense on leases);
- payment of taxes amounting to €46,983 thousand;
- payment of principle on lease obligations of €81,006 thousand;
- cash flow generated by operations of €390,860 thousand.

(iii) Financing activities:
- payment of €30,939 thousand in dividends to shareholders;
- net proceeds from capital increases following the exercise of stock options of €148 thousand;
- payment of €226 thousand in dividends to minorities by subsidiaries;
- decrease in other non-current assets of €2,678 thousand linked primarily to the repayment of loans granted to the indirect channel in the United States.

(iv) Exchange losses of €794 thousand.

(v) Losses on asset disposal of €42 thousand.

The non-recurring transactions described above in the section on net financial debt had a negative impact on cash flow of €21,531 thousand in 2019 compared to a negative €7,695 thousand in the prior year, as shown below:

(€ thousands)	FY 2019	FY 2018
Restructuring costs related to the employee's indemnities incurred following the acquisition of GAES	(14,444)	-
GAES acquisition and integration costs	(7,087)	(6,045)
Restructuring costs incurred following the acquisition of AudioNova's retail businesses in France and in Portugal	-	(1,001)
Commitment fees related to the financing of the GAES acquisition	-	(649)
Cash flow generated (absorbed) by operating activities	***(21,531)***	***(7,695)***
Cash flow generated from (absorbed) by investing activities	-	-
Free Cash Flow	**(21,531)**	**(7,695)**
Cash flow generated from acquisitions	-	-
Total cash flow generated by non-recurring transactions	**(21,531)**	**(7,695)**

ACQUISITION OF COMPANIES AND BUSINESSES

The Group's external growth continued during the period. 97 points of sale were acquired for a total investment of Euro 66,860 thousand, including the consolidated debt and the best estimate of the earn-out linked to sales and profitability targets payable over the next few years.

More in detail during the FY 2019:
- 54 points of sale were acquired in Germany;
- 52 points of sale were acquired in France;
- 8 points of sale and 1 customer lists were acquired in Spain;
- 4 points of sale and 2 customer lists were acquired in Switzerland;
- 2 points of sale were acquired in Israel;
- 1 point of sale was acquired in Andorra;
- 1 customer list was acquired in the United Kingdom;
- 8 points of sale were acquired in Canada;
- 4 points of sale and 2 customer lists were acquired in the United States, along with 9 points of sale that were previously part of the indirect channel.

STATEMENT OF CHANGES BETWEEN THE NET EQUITY AND THE RESULTS OF THE PARENT COMPANY AMPLIFON S.P.A. AND THE NET EQUITY AND THE RESULTS OF THE GROUP FOR THE PERIOD AS AT DECEMBER 31ST, 2019

(€ thousands)	Net equity	Net result
Net equity and year-end result as reported in the Parent company's financial statements	**553,538**	**94,016**
Elimination of carrying amount of consolidated investments:		
• difference between carrying amount and the pro-quota value of net equity	37,953	-
• pro-quota results reported by the subsidiaries	103,916	103,916
• pro-quota results reported by investments valued at equity	2,087	370
Elimination of the effects of intercompany transactions:		
• elimination of impairment net of reversals of investments and intercompany receivables	-	1,864
• intercompany dividends	-	(91,809)
• intercompany profits included in the year-end value of inventories net of fiscal effect	(1,034)	770
• intercompany profits included related to internal sales of goods and investments	-	(645)
• exchange differences and other changes	(345)	42
Net equity and year-end result as stated in the consolidated financial statements	**696,115**	**108,524**
Minority equity and result for the year	1,084	(142)
Group net equity and result for the year	**695,031**	**108,666**

RISK MANAGEMENT

Correct risk management allows for better informed business decisions, reduces the gaps between actual results and targets, and creates a competitive advantage. We, therefore, pay the **utmost attention to risk management**: for this reason, we have implemented professionally qualified internal processes that are in line with the best practices for internal control systems and risk management, as well as with the recommendations in the Corporate Governance Code for listed companies.

The risk management system does not consist solely of the identification and assessment of the main events, occurrences and circumstances that could negatively impact the ability to reach targets, but also the determination of how to respond to the main risks in order to mitigate the effects and create opportunities, if possible. It is, therefore, an intricate and ongoing activity.

Risk management is carried out, coordinated and facilitated by the Group Risk and Compliance Officer who works throughout the year with all of the Group's management, provides updates and carries out reviews every six months as to the Group's main risks. The Group Risk and Compliance Officer works constantly and directly with the country General Managers, their leadership teams and the Corporate divisions.

As of 2019 environmental, social and governance risks are subject to the same process.

GLOBAL ECONOMIC ENVIRONMENT

The Amplifon Group operates in a market sector that is less sensitive than others to fluctuations in the general economic cycle, but it is, however, influenced: even though the current global market conditions are basically stable and positive, we cannot exclude new changes and/or sudden trend inversions which could lessen the visibility of future results and the risk that lower or less buoyant sales could, in the short term, have a direct impact on margins due to the cost structure of the stores which is largely fixed. In this regard, currently it is not possible to exclude any consequences that the global uncertainty triggered by the spreading, in early 2020, of the Covid-19 virus (commonly known as coronavirus) worldwide might have.

STRATEGIC RISKS

Strategic risks are those that are typical of the business operated. If managed correctly they can be the source of a competitive advantage or, conversely, they can compromise the ability to reach targets.

Increased competition

The retail hearing care market is expected to grow noticeably over the next few years, consistent with the aging of the population and the increased penetration linked to consumer's greater healthcare awareness. This market is also particularly fragmented and competition could increase.

The Amplifon Group's main competitors are the specialty retailers, which include the manufacturers of downstream integrated hearing aids, and non-specialty retailers (like optical chains, pharmacies and big box stores) which are generally low-cost providers currently found mainly in Australia, the Netherlands, USA and the UK.

It's likely, therefore, that these players will continue to pursue a strategy focused on greater penetration which could potentially erode market share and margins, as well as increase competition in the recruiting and retention of hearing aid specialists.

Lastly, competition could also increase as a result of the arrival of new players due to, for example, regulatory changes which result in less stringent qualifications for hearing aid specialists or greater access to qualified store personnel.

To address this risk the Amplifon Group is focusing its strategy on strong brand recognition and providing high quality service through a very unique and innovative customer experience. Toward this end, the Group introduced a new and innovative sales protocol focused on excellence in customer service (Amplifon 360), as well as the Amplifon Product Experience (APE) which consists in Amplifon brand products and a multichannel ecosystem based on which the first point of contact is through the app.

With regard to the steps taken to mitigate the risk stemming from the competition of the low-cost providers in the recruiting and retention of the hearing aid specialists please refer to the section "Human resources and the Group's sustainable medium/long-term growth".

Technological changes in products and/or the operating model

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.

The Amplifon Group stands out for the quality of the customer assistance provided during the sales process and the personalization of its hearing solutions, combining technology with a human touch in order to provide customers with the best service possible and, at the same time, build strong brand differentiation.

In order to monitor and increase customer service and satisfaction Amplifon has not only developed a new store protocol focused on customer service excellence but is also investing significant resources in the development of its own product line, as well as technologies and tools to remain in constant contact with its customers. For this reason, the company pays great attention to changes in the features and capabilities of hearing aids in order to provide an even better "customer experience".

Investments in Marketing

The Amplifon Group's strategy calls for significant investment in marketing. These costs focus mainly on advertising on all media channels, including digital, with a view to further strengthening its brand, on advanced Customer Relationship Management (CRM) systems and campaigns to ensure unique and personalized experiences for its customers, as well as on the technological innovation program which leverages on Amplifon brand products and the multi-channel eco-system (together referred to as the "Amplifon Product Experience") to provide a complete value proposition, comprising product, service and experience.

Increased sector competition could result in a generalized increase in marketing investments which are less effective, but more costly.
The company could, therefore, find itself in a situation which calls for greater investments in marketing in order to reach the targets for organic growth.

In order to address this possible change in competition, in addition to being able to rely on its market leadership position, the Amplifon Group has also set targets for efficient and effective investments in global marketing and careful monitoring of these costs.

OPERATIONAL RISKS

Operational risks are those inherent in the business's organization and processes.

Human resources and the Group's sustainable medium/long-term growth [1]

In order to achieve its medium/long-term goal for growth, the Group must be able to attract, develop and retain the best talent in, above all, the key managerial positions and qualified store personnel, including internationally.

Toward this end Amplifon is striving to be the "employer of choice" and is investing heavily in both the development of a unique and innovative Employer Branding, as well as in talents through specific recruiting initiatives and professional development programs designed to ensure access to the rapidly changing core expertise.
Similarly, the company has developed and renewed the Global Career Website and the local career sites in order to facilitate the recruiting of talents versed in the latest areas of expertise (for example, data scientists, digital economy, artificial intelligence). With regard specifically to the recruiting and retention of qualified store personnel, partnerships with universities are maintained, and great attention is paid to continuous, high quality training and professional development. Lastly, "ad hoc" compensation mechanisms and incentives are used when examining performance.

In order to guarantee success in the medium/long-term, global, local and divisional talent mapping and succession planning are carried out regularly.

Implementation of the new ERP system

Consistent with the Group's evolution, at the beginning of 2019 the implementation of a cutting-edge cloud technology project was launched. The technology strives to simplify, optimize and integrate the back-end operating processes relating, in particular, to finance, human resources and purchasing. The Group's roll-out plan was kicked off in January 2020.

Typically, these projects are very invasive for organizations, characterized by complexity and uncertainty. More in detail, the main critical areas identified include: (i) technological problems during the roll-out phase; (ii) management of local characteristics; (iii) change management.

To address these critical areas, Amplifon equipped itself with the internal and external resources needed for the project to succeed.
More in detail, before the system roll-out, specific Hypercare Teams were created in order to assist and monitor the users in the correct execution of all the in scope processes; back up activities were identified for each process and management teams that could form Rescue Teams for key processes, if needed, were identified.
A robust training program was also developed in order to train system users and assist with change management.

Cyber Security & data protection [2]

The growing use of global networks to manage enterprise's technological infrastructures (including the social networks) as well, increases the Company's exposure to different types of internal and external IT risks. The most significant of these is the risk of cyber-attacks which can be targeted or generic and which constitute a constant threat.

Amplifon monitors potential threats every day and works to prevent, as well as minimize, the impact that these attacks could have.

[1] This risk was identified as material also for the Company's Non-Financial Disclosure.
[2] This risk has been identified as material also for the Company's Non-Financial Disclosure.

Activities are carried out and updated constantly which strive to:
- guarantee business continuity;
- prevent the loss of data and information;
- protect the group's reputation;
- ensure compliance with the laws protecting personal data (including the GDPR – General Data Protection Regulation – in the European Union, as well as local regulations, and the highest data protection standards in all the countries in which the Group operates).

REGULATORY RISK

Regulatory risk stems from changes in the laws and regulations within the different markets in which the company operates.

Changes in the regulatory environment

The Amplifon Group operates in the "medical" sector which is regulated differently in different countries. The areas which are the most relevant for Amplifon relate to: i) coverage by national health agencies or insurance companies; ii) the sale and distribution of hearing aids and, more specifically, the requisites and qualifications of the professionals who may select, apply and sell hearing solutions; iii) technical aspects of the hearing aids, which are considered medical devices in all of the countries where the Group operates. A change in regulations (for example, in reimbursement conditions, in the scope of and access to insurance coverage, in the role of the ENT doctors and hearing aid specialists, in the qualifications needed to sell hearing aids and related services) does and will continue to have a direct, and potentially significant, negative or positive impact on performances depending on the type of change.
In the past these changes have affected Switzerland, the Netherlands, New Zealand, Australia Germany, and also France in 2019, while currently the situation in Italy is still changing.

With regard to the changes in the qualifications needed to sell hearing aids, in 2017 a law, the "Over the Counter Hearing Aid Act", was passed in USA and has created a separate category of hearing aids that may be sold over-the-counter (OTC) to adults over the age of 18 with mild hearing loss without first consulting a hearing aid specialist. The Food and Drug Administration (FDA) is currently in the process of finalizing the regulation governing implementation, which should begin not before the end of 2020 or the first half of 2021. While to date the most plausible scenario is that the introduction of the OTC devices will have a limited impact on our business given the level of service and the type of consumer (with light to moderate hypoacusis compared to the Group's current customers who have moderate to severe hypoacusis), an increase in competition and new players cannot be excluded.

Amplifon has adopted a series of measures which ensure the ability to react to any regulatory changes in a timely manner by instituting a Regulatory Affairs division. This division is responsible for: (i) developing and ensuring constant monitoring of the regulatory changes and their status in all the countries in which the Group operates; (ii) defining who is in charge (locally or on a corporate level) of managing current or potential problems; (iii) developing, including with the support of external experts, plans for addressing the main issues and assist in the preparation of local plans, while also monitoring the progress made; (iv) developing and coordinating the Group's external communication strategy and participating actively in discussions, associations and organizations in order to make the sector voice heard.

The Regulatory Affairs division is a corporate division (with Corporate guidelines and priorities) but works with country and regional professionals in order to directly monitor the local realities and implement plans of action.

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 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, Canada where a small part of the purchase costs are incurred in US dollars, and Central and South America where the subsidiaries of the GAES Group (acquired at the end of 2018) use euros to pay GAES SA in Barcelona. The size, however, of the subsidiaries 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 intercompany 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 intercompany 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, Canada, the United Kingdom, Switzerland, Hungary, Turkey, Poland, Israel, Australia, New Zealand, India, Egypt and, as result of the GAES Group acquisition year-end 2018, in Chile, Argentina, Ecuador, Colombia, Panama and Mexico.

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) the dividends approved but not yet paid by the Australian subsidiary denominated in Australian dollars.

The loans between the Australian and New Zealand companies, between the American and Canadian companies 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 intercompany 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 and considering that the marketing cost chargebacks were invoiced at 31 December 2019, the fluctuations in exchange rates in the year did not result in significant exchange gains or losses being posted 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 was about €3 million lower than 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). 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 mix of fixed- and floating-rate loans and assessing 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 2019, the Group's medium/long term debt is explained for €700 million by floating rate bank loans, €435 million of which had been swapped to fixed rate debt at the date of this report , and for €101 million (at the hedging rate) by capital market issues (US Private Placement) 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 Benchmarks Regulation (BMR) which also affects Euribor and could have an impact on hedges will become effective in 2022. The Amplifon Group is taken the steps necessary to understand the consequences of this reform. As a large part of the debt and the hedges expire by 2022, the reform is not expected to have a significant impact.

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 amount receivable 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 the credit risk arising from sales to US indirect channel operators (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 commercial 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 which advance the whole amount of the sale to Amplifon, while 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 making diversified investments with the main national and international investment grade financial institutions and through the use of specific counterparty limits with regard to both invested and/or deposited liquidities and to the notional amount of derivatives. 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. Transactions with non-investment grade counterparties are not allowed unless specifically authorized by the Group's CEO and CFO.

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 quickly or 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 and/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, including because of the sizeable financial commitment assumed with the GAES Group acquisition, 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 and the refinancing of debt reaching maturity.
The available short-term credit lines amounted to €177 million (of which €74 million irrevocable) at the end of the year. The irrevocable credit lines amount to €195 million and have not been utilized. Debt is medium-long term with the first significant maturities, which cannot be extended, in 2021.

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 which fall within the limits determined in the treasury policy in order to minimize counterparty risk;
- the use of instruments which match, to the extent possible, the characteristics of the risk hedged;
- monitoring of the adequacy 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 recognized 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 recognized in net equity are subsequently transferred to the income statement in the period in which the hedged transaction 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 (basis adjustment); any ineffectiveness of the hedge is recognized 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 neutralized 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 evidence, that the hedge will be highly effective for the period in which the hedged risk exists;
- the hedged risk relates to changes in cash flow due to a future transaction, the latter is highly probable and entails exposure to changes in cash flow which could affect profit and loss.

Derivatives are recognized as assets if their fair value is positive and as liabilities if their fair value is negative. These balances are shown under current 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 any hedges of net investments in place.

TREASURY SHARES

No treasury shares were purchased during the year.

At 31 December 2019 the treasury shares held amounted to 3,269,087 or 1,444% of the Company's share capital.

Information details related to treasury shares are provided in the following table:

	N. of shares	Average purchase price (Euro) FV of transferred rights (Euro)	Total amount (€ thousand)
Held at 12/31/2018	**5,715,745**	**8.911**	**50,933**
Purchases	-	-	-
Transfers due to exercise of Performance Stock grants	(2,446,658)	8.911	(21,802)
Total at 12/31/2019	**3,269,087**	**8.911**	**29,131**

RESEARCH AND DEVELOPMENT

While the Group does not carry out any typical research and development activities with reference to hearing aids (as they are performed by the manufacturers), it does invest important resources in both innovation and technology through the "Amplifon Product Experience" and other innovative digital marketing solutions and processes in order to provide its customers with an excellent "Customer Experience".

TRANSACTIONS WITHIN THE GROUP AND WITH RELATED PARTIES

Pursuant to and in accordance with the Consob Regulation n. 17221 issued on 12 March 2010 and after having received a favourable opinion from the Independent Directors' Committee, on 26 July 2016 Amplifon S.p.A.'s Board of Directors adopted a new version of the regulations for related party transactions in order to change references to certain laws and comply with current norms and regulations.

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 managed at arm's-length, given the nature of the goods and of the services provided.

Information on transactions with related parties is provided in Note 36 of the consolidated financial statements and in Note 39 of the separate financial statements.

CONTINGENT LIABILITIES

Currently the Group is not exposed to any particular risks or uncertainties with the exception of the usual periodic tax audits, which are currently underway in Italy (IRES and IRAP for 2015 and 2016) and in the Netherlands. These audits are presently in the preliminary phase and no findings have been reported.

With regard to the United Kingdom's departure from the European Union ("Brexit"), while no definitive agreements have been reached, it is not expected to have a significant impact on the Group's results.

ATYPICAL/UNUSUAL TRANSACTIONS

Please note that in 2019 the Group carried out no atypical and/or unusual transactions as defined in the Consob Bulletin of 28 July 2006.

OUTLOOK

In light of the intensification of the health emergency and the socio-economic effects linked to the spreading of COVID-19 (also known as Coronavirus), the Company feels that it is still not possible to estimate the impact that the epidemic will have in the year. There will be, however, a short-term negative effect on the hearing care market's demand, also due to the containment measures and the restrictions adopted or in the process of being adopted by the different governmental authorities.

The Company confirms, however, that it is already adopting all the operational and economic-financial measures possible to limit the impact of this short-term scenario. The Company also believes that the impact will be temporary and gradually offset when the situation will be normalized, given both the non-discretional nature of the product offered and the fundamentals of the market, in which the Group operates, which remain intact as they are supported by secular trends like the aging of the population and the increase in penetration.

Lastly, the Company still expects an above-market performance given the strategic choices made, which are focused on the customer, as well as the strong competitive advantages stemming from the position of absolute leadership, a unique brand portfolio, high geographic diversification, strong financial profile and the proven and agile execution capabilities demonstrated in past years.

YEARLY REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE AS AT DECEMBER 31ST 2019

(PURSUANT TO ART. 123-BIS TUF)

The report on Corporate Governance and Ownership Structure is available on the company's website at https://corporate.amplifon.com/en/governance/governance-system/corporate-governance-reports.

NON-FINANCIAL DISCLOSURE AS AT DECEMBER 31ST 2019

The Non-Financial Disclosure is available on the company's website at https://corporate.amplifon.com/en/sustainability/sustainability-reporting.

COMMENTS ON THE FINANCIAL RESULTS OF AMPLIFON S.P.A.

RECLASSIFIED INCOME STATEMENT

(€ thousands)	FY 2019				FY 2018			
	Recurring	Non-recurring (*)	Total	% on recurring	Recurring	Non-recurring (*)	Total	% on recurring
Revenues from sales and services	335,847	-	335,847	100.0%	310,668	-	310,668	100.0%
Operating cost	(310,745)	(7,359)	(318,104)	-92.5%	(284,173)	(1,011)	(285,184)	-91.5%
Other income and revenues	77,100	-	77,100	23.0%	54,833	-	54,833	17.7%
Other expenses	(570)	-	(570)	-0.2%	(34)	(6,911)	(6,945)	0.0%
Gross operating profit (EBITDA)	**101,632**	**(7,359)**	**94,273**	**30.3%**	**81,294**	**(7,922)**	**73,372**	**26.2%**
Depreciation, amortization and impairment of non-current assets	(21,545)	-	(21,545)	-6.4%	(16,914)	-	(16,914)	-5.4%
Right-of-use depreciation	(16,239)		(16,239)	-4.8%	-	-	-	0.0%
Operating profit (EBIT)	**63,848**	**(7,359)**	**56,489**	**19.0%**	**64,380**	**(7,922)**	**56,458**	**20.7%**
Income, expenses, valuation and adjustments of financial assets	65,603	-	65,603	19.5%	57,520	(9,980)	47,540	18.5%
Net financial expenses	(16,052)	-	(16,052)	-4.8%	(12,642)	(649)	(13,291)	-4.1%
Exchange differences and non-hedge accounting instruments	(247)	-	(247)	-0.1%	(282)	-	(282)	-0.1%
Income (loss) before taxes	**113,152**	**(7,359)**	**105,793**	**33.7%**	**108,976**	**(18,551)**	**90,425**	**35.1%**
Tax	(13,953)	2,176	(11,777)	-4.2%	(13,698)	2,534	(11,164)	-4.4%
Net profit (loss)	**99,199**	**(5,183)**	**94,016**	**29.5%**	**95,278**	**(16,017)**	**79,261**	**30.7%**

(*) See table at page 117 for details of non-recurring transactions.

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

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

(€ thousands)	FY 2019 W/O IFRS 16 (*)				FY 2018			
	Recurring	Non-recurring (**)	Total	% on recurring	Recurring	Non-recurring (**)	Total	% on recurring
Revenues from sales and services	335,847	-	335,847	100.0%	310,668	-	310,668	100.0%
Operating cost	(327,477)	(7,359)	(334,836)	-97.5%	(284,173)	(1,011)	(285,184)	-91.5%
Other income and revenues	77,099	-	77,099	23.0%	54,833	-	54,833	17.7%
Other expenses	(570)	-	(570)	-0.2%	(34)	(6,911)	(6,945)	0.0%
Gross operating profit (EBITDA)	**84,899**	**(7,359)**	**77,540**	**25.3%**	**81,294**	**(7,922)**	**73,372**	**26.2%**
Depreciation, amortization and impairment of non-current assets	(21,545)	-	(21,545)	-6.4%	(16,914)	-	(16,914)	-5.4%
Operating profit (EBIT)	**63,354**	**(7,359)**	**55,995**	**18.9%**	**64,380**	**(7,922)**	**56,458**	**20.7%**
Income, expenses, valuation and adjustments of financial assets	65,603	-	65,603	19.5%	57,520	(9,980)	47,540	18.5%
Net financial expenses	(14,374)	-	(14,374)	-4.3%	(12,642)	(649)	(13,291)	-4.1%
Exchange differences and non-hedge accounting instruments	(247)	-	(247)	-0.1%	(282)	-	(282)	-0.1%
Income (loss) before taxes	**114,336**	**(7,359)**	**106,977**	**34.0%**	**108,976**	**(18,551)**	**90,425**	**35.1%**
Tax	(13,953)	2,176	(11,777)	-4.2%	(13,698)	2,534	(11,164)	-4.4%
Net profit (loss)	**100,383**	**(5,183)**	**95,200**	**29.9%**	**95,278**	**(16,017)**	**79,261**	**30.7%**

(*) For the sake of comparison with 2018, unaudited figures are shown.
(**) See table at page 117 for details of non-recurring transactions.

The following table shows the details of the non-recurring transactions included in the previous statement.

(€ thousands)	FY 2019	FY 2018
GAES acquisition (2018) and integration (2019) costs	(7,359)	(7,922)
Impact of the non-recurring items on EBITDA	**(7,359)**	**(7,922)**
Impact of the non-recurring items on EBIT	**(7,359)**	**(7,922)**
Commitment fees related to the financing of the GAES acquisition	-	(649)
Write-down of equity investments in the UK, Turkish, Polish and Brazilian subsidiaries	-	(9,980)
Impact of the non-recurring items on profit before tax	**(7,359)**	**(18,551)**
Impact of the above items on the tax burden for the year	2,176	2,534
Impact of the non-recurring items on net profit	**(5,183)**	**(16,017)**

RECLASSIFIED BALANCE SHEET

The reclassified consolidated balance sheet aggregates the assets and liabilities of the compulsory format included in the annual report based on how the business management operates, usually split into the three main functions: investment, operations and financing.

(€ thousands)	12/31/2019	12/31/2018	Change	12/31/2019 w/o IFRS 16 (*)
Goodwill	540	540	-	540
Other intangible assets	47,909	37,410	10,499	47,909
Tangible assets	29,330	29,466	(136)	29,330
Right of use assets	95,507	-	95,507	-
Financial fixed assets	1,232,074	1,160,746	71,328	1,232,074
Other non-current financial assets	16,959	15,269	1,690	16,959
Non-current assets	**1,422,319**	**1,243,431**	**178,888**	**1,326,812**
Inventories	10,651	10,314	337	10,651
Trade receivables (1)	115,260	83,550	31,710	115,260
Other receivables (2)	32,940	32,758	182	33,946
Current assets (A)	**158,851**	**126,622**	**32,229**	**159,857**
Operating assets	**1,581,170**	**1,370,053**	**211,117**	**1,486,669**
Trade payables (3)	(74,270)	(50,519)	(23,751)	(74,270)
Other payables (4)	(80,155)	(72,833)	(7,322)	(80,155)
Current liabilities (B)	**(154,425)**	**(123,352)**	**(31,073)**	**(154,425)**
Net working capital (A)+(B)	**4,426**	**3,270**	**1,156**	**5,432**
Derivative instruments (5)	(8,763)	(10,876)	2,113	(8,763)
Deferred tax assets	22,932	21,845	1,087	22,913
Provisions for contingency and obligations (non-current portion)	(17,609)	(13,985)	(3,624)	(17,609)
Liabilities for employees' benefits (non-current portion)	(3,359)	(3,329)	(30)	(3,359)
Deferred tax liabilities	(999)	(1,230)	231	(999)
Loan fees (6)	1,611	3,796	(2,185)	1,611
Other non-current liabilities	(29,552)	(26,861)	(2,691)	(29,552)
Net invested capital	**1,391,006**	**1,216,061**	**174,945**	**1,296,486**
Net Equity	**553,538**	**469,331**	**84,207**	**554,353**

(€ thousands)	12/31/2019	12/31/2018	Change	12/31/2019 w/o IFRS 16 (*)
Net short-term financial indebtedness	88,149	(45,922)	134,071	88,149
Net medium and long-term financial indebtedness	653,633	792,651	(139,018)	653,633
Total net financial indebtedness	**741,783**	**746,730**	**(4,946)**	**741,783**
Lease liabilities	95,685	-	95,685	-
Total lease liabilities & net financial indebtedness	837,468	746,730	90,738	741,783
Net equity, lease liabilities and net financial indebtedness	**1,391,006**	**1,216,061**	**174,946**	**1,296,136**

(*) For the sake of comparison with 2018, unaudited figures are shown.
(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 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 is a summary version of the reclassified cash flow statement shown in the following pages. The main purpose is to detail the flows generated or absorbed by operating, investing and financing activities starting from the EBIT.

(€ thousands)	FY 2019	FY 2018
Operating profit (EBIT)	**56,488**	**56,459**
Amortization, depreciation and impairment	37,784	16,913
Provisions, other non-monetary items and gain/losses from disposals	11,317	8,972
Net financial expenses	(13,650)	(12,686)
Dividends received	63,087	57,201
Taxes paid	(12,636)	(7,621)
Change in net working capital	10,864	(16,051)
Cash flow provided by (used in) operating activities before repayment of lease liabilities	**153,254**	**103,187**
Repayment of lease liabilities	(15,228)	-
Cash flow provided by (used in) operating activities (A)	**138,026**	**103,187**
Cash flow provided by (used in) operating investing activities (B)	(32,119)	(28,354)
Free Cash Flow (A+B)	**121,135**	**74,833**
Cash flow provided by (used in) acquisitions (C)	(74,412)	(551,865)
(Purchase) sale of other investment and securities (D)	377	-
Cash flow generated from (absorbed by) investing activities (B+C+D)	**(106,154)**	**(580,219)**
Other non-current assets	117	61
Fees paid on medium/long-term financing	-	(3,758)
Dividends distributed	(30,939)	(24,079)
Treasury shares	-	(9,631)
Capital increases	148	106
Net cash flow from the period	**1,198**	**(514,333)**
Net financial indebtedness as of period opening date	**(746,730)**	**(232,397)**
Change in net financial position	1,198	(514,333)
Merger Hearing Supplies S.r.l.	3,749	-
Net financial indebtedness as of period closing date	**(741,783)**	**(746,730)**

REVENUES FROM SALES AND SERVICES

(€ thousands)	FY 2019	FY 2018	Change	Change %
Revenues from sales and services	**335,847**	**310,668**	**25,179**	**8.1%**

Revenues from sales and services amounted to €335,847 thousand.
In 2019 sales for hearing solutions rose 7.2% against 2018 with total turnover reaching €271,005 thousand.
Revenue for the sale of other products (basically accessories, batteries and cochlear products) came to €25,342 thousand, 11.43% higher than in 2018. Revenue for hearing solution services amounted to €39,501 thousand, showing growth of 12.8% against 2018.
The Italian business increased entirely because of organic growth. The three regions into which Italy's sales network is divided all posted significant growth, confirming the solidity of the business in each province.
Investments in marketing increased in the year in order to continue with the targeted communication strategy and strengthen the de-stigmatization of the brand and the category while increasing store traffic. With this goal in mind, communication continued to focus on the Amplifon product line, particularly the "ampli-mini" family with real testimonials from customers which helped to render the tone of the campaign more authentic and emotionally engaging.
There were also communication initiatives designed to increase Amplifon's presence in the print media, through participation in conferences and musical events, in order to strengthen Amplifon's brand awareness in the area of technological innovation.
Investments in digital also rose across all the main performance marketing channels (such as Google and Facebook), supported also by the launch of the new web platform Amplifon.it.
Important changes also took place in CRM (Customer Relationship Management) strengthened by changes in the technological platforms and the completion of advanced statistical models used to identify and reinforce customers repurchase propensity.
In 2019 the reach of the store network continued to increase, reaching the record level of 668 shops with 51 new openings in the year.
In Italy the other touch points (store-in stores, corners, pop-ups) amounted to 3,123 units.
In 2019 new, significant investments were made to further improve the already excellent training of Amplifon's hearing aid specialists and support the high level of customer satisfaction.

GROSS OPERATING PROFIT (EBITDA)

(€ thousands)	FY 2019			FY 2018		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Gross operating profit (EBITDA)	101,632	(7,359)	94,273	81,294	(7,922)	73,372

(€ thousands)	FY 2019 W/O IFRS 16 (*)			FY 2018		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Gross operating profit (EBITDA)	84,899	(7,359)	77,540	81,294	(7,922)	73,372

(*) For the sake of comparison with 2018, unaudited figures are shown.

Gross operating profit (EBITDA), determined based on the new IFRS 16, amounted to €94,273 thousand in 2019.

If IFRS 16 had not been applied, EBITDA would have amounted to €77,540 thousand, an increase, net of non-recurring costs, of €2,093 thousand (+2.5%) against the comparison period.

The EBITDA margin, calculated on a recurring basis and without the application of the new IFRS 16, went from 26.6% in 2018 to 25.2% in 2019; this decrease is largely attributable to the marketing contribution costs incurred to support certain markets.

OPERATING PROFIT (EBIT)

(€ thousands)	FY 2019			FY 2018		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Operating Profit (EBIT)	63,848	7,359	56,489	64,380	(7,922)	56,458

(€ thousands)	FY 2019 W/O IFRS 16 (*)			FY 2018		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Operating Profit (EBIT)	63,354	7,359	55,995	64,380	(7,922)	56,458

(*) For the sake of comparison with 2018, unaudited figures are shown.

The operating profit (EBIT), determined based on the new IFRS 16, amounted to €56,489 thousand (with an EBIT margin of 16.8%).

If IFRS 16 had not been applied EBIT would have come to €63,354 thousand, a decrease of €2,539 thousand (-3.8%) against the prior year gross of non-recurring costs.

PROFIT BEFORE TAX

(€ thousands)	FY 2019			FY 2018		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Profit before tax	113,152	(7,359)	105,793	108,976	(18,551)	90,425

(€ thousands)	FY 2019 W/O IFRS 16 (*)			FY 2018		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Profit before tax	114,336	(7,359)	106,977	108,976	(18,551)	90,425

(*) For the sake of comparison with 2018, unaudited figures are shown.

Recurring profit before tax, calculated based on the new accounting standards, amounted to €113,152 thousand in 2019, €4,176 thousand higher than in 2018. If the same accounting standards of the prior year had been applied, profit before tax would have amounted to €114,336 thousand, an increase of €7,359 thousand against the prior year.

NET PROFIT

(€ thousands)	FY 2019			FY 2018		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Net profit	99,199	(5,183)	94,016	95,278	(16,017)	79,261

(migliaia di Euro)	ESERCIZIO 2019 SENZA IFRS 16 (*)			ESERCIZIO 2018		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Net profit	100,034	(5,183)	94,851	95,278	(16,017)	79,261

(*) For the sake of comparison with 2018, unaudited figures are shown.

Recurring net profit reached €99,199 thousand in 2019 based on the new accounting standards, an increase of €3,921 thousand compared to the €95,278 thousand posted in 2018.
If the accounting standards used in the prior year had been applied, net profit would have amounted to €100,034 thousand, an increase of €4,756 thousand against 2018.

NON-CURRENT ASSETS

(€ thousands)	12/31/2019	12/31/2018	Change
Goodwill	540	540	-
Other intangible assets	47,909	37,410	10,499
Tangible assets	29,330	29,466	(136)
Right of use assets	95,507	-	95,507
Financial fixed assets	1,232,074	1,160,746	71,328
Other non-current financial assets	16,959	15,269	1,690
Non-current assets	**1,422,319**	**1,243,431**	**178,888**

Non-current assets amounted to €1,422,319 thousand at 31 December 2019 versus €1,243,431 thousand at 31 December 2018, an increase of €178,888 thousand attributable to:

- a €95,507 thousand increase explained by the application of IFRS 16 as of 1 January 2019 which resulted in the recognition of right-of-use assets for leased goods;
- an increase in intangible assets as a result of the development of software to support both the sales network and head office;
- an increase in the value of equity investments following the purchase of Otohub S.r.l. for €11,312 thousand;
- a €9,384 increase in the value of equity investments as a result of the periodic valuation of stock option and stock grant plans held by employees of subsidiaries;
- a €10,486 thousand decrease in the value of equity investments as a result of the fair value measurement of stock options which matured and were exercised in the period;
- share capital increase of the French subsidiary for €50 million;
- a €544 thousand decrease attributable to the sale of the interest in Maxtone (Turkey);
- a €4,742 thousand decrease explained by the merger through absorption of Hearing Supplies S.r.l. in Amplifon S.p.A. and of Audio Conseil and Aides Auditives de France in the French branch.

NET INVESTED CAPITAL

Net invested capital came to €1,391,006 thousand at 31 December 2019, an increase of €174,945 thousand against the €1,216,061 thousand recorded at 31 December 2018 and not redetermined based on the accounting standards applied beginning in 2019.

The change is attributable primarily to:

- the increase in non-current assets described above;
- an increase in trade receivables of €31,710 thousand explained primarily by the €14,656 thousand owed by private clients, agents and public entities, €13,425 thousand owed by group companies and dividends to be received of €2,368 thousand;
- higher trade payable and other payables of €31,073 thousand, as a result of an increase in the purchase of goods and services and careful management of payment terms;
- increase in medium/long-term debt relating to IFRS 15 application.

NET FINANCIAL POSITION

(€ thousands)	12/31/2019	12/31/2018	Change
Net medium and long-term financial indebtedness	653,633	792,651	(139,018)
Short-term net financial indebtedness	149,261	(32,651)	181,912
Cash and equivalents	(61,111)	(13,270)	(47,841)
Net financial indebtedness	**741,783**	**746,730**	**(4,947)**
Lease liabilities *	**95,685**	**-**	**95,685**
Total lease liabilities and net financial indebtedness	**837,468**	**746,730**	**90,738**

* IFRS 16 was applied using the modified retrospective approach, the company recognized at 1st January 2019 a lease liability without calculating any restatement of 2018 figures.

Net financial debt, excluding lease liabilities, amounted to €741,783 thousand at 31 December 2019, net of cash and cash equivalents of €61,111 thousand, a decrease of €4,947 thousand against 31 December 2018.

The decrease in medium/long-term debt, and subsequent increase in short-term debt, is mainly attributable to:

- the expiration of a portion of the syndicated loan subscribed by the subsidiary Amplifon USA Inc. for a total of USD 130 million with 7, 10 and 12- year maturities (falling due between 2013 and 2025) using the proceeds from a private placement made with American institutional investors with the same characteristics and maturities;
- the short-term portion of the loan used for the GAES acquisition;
- bank loans falling due next year.

NET EQUITY

(€ thousands)	12/31/2019	12/31/2019	Change
Net Equity	**553,538**	**469,331**	**84,207**

Net equity amounted to €553,538 thousand at 31 December 2019 versus €469,331 thousand at 31 December 2018, an increase of €84,207 thousand, explained by:

- an increase in share capital and the share premium reserve of 35,000 shares following the exercise of stock options;
- a decrease in treasury shares following the exercise of 2,446,658 stock grants;
- the net profit posted in 2019.

RECLASSIFIED CASH FLOW STATEMENT

The reclassified cash flow statement shows the change in net financial position between the beginning and the end of the reported period.
Pursuant to IAS 7 the notes of the financial statements include also a cash flow statement based on cash holdings, showing the change between the opening and the closing cash position of the reported period.

(€ thousands)	FY 2019	FY 2018
Operating activities:		
Net income (loss)	94,016	79,261
Amortization, depreciation and impairment:		
• other intangible fixed assets	*13,973*	*9,946*
• tangible fixed assets	*7,572*	*6,967*
• right of use assets	*16,239*	-
Total amortization, depreciation and impairment	37,784	16,913
Provisions and other non-monetary items	11,317	8,945
(Gains) losses from sale of fixed assets	*91*	27
Financial income and charges	(48,983)	(33,967)
Current and deferred income taxes	*11,776*	11,164
Change in assets and liabilities:		
• Utilization of provisions	*(2,162)*	*(3,161)*
• (Increase) decrease in inventories	*(407)*	*(87)*
• Decrease (increase) in trade receivables	*(15,786)*	*(23,117)*
• Increase (decrease) in trade payables	*23,683*	*7,843*
• Increase (decrease) in other receivables/payables non-financial net of tax receivables/payables	*5,941*	*2,471*
Total change in current assets and liabilities	11,269	(16,051)
Dividends received	62,592	57,201
Interest received/paid	(13,972)	(12,686)
Taxes paid	(12,636)	(7,621)
Cash flow provided by (used in) operating activities before repayment of lease liabilities	**153,254**	**103,186**
Repayment of lease liabilities	(15,228)	-
Cash flow provided by (used in) operating activities	**138,026**	**(28,677)**

(€ thousands)	FY 2019	FY 2018
Investing activities:		
Purchase of intangible fixed assets	(24,562)	(17,886)
Purchase of tangible fixed assets	(7,562)	(10,472)
Consideration from sale of tangible fixed assets and businesses	5	4
Cash flow generated from (absorbed by) investing activities	**(32,119)**	**(28,354)**
Cash flow generated from operating and investing activities (Free cash flow)	**105,907**	**74,832**
Cash flow generated from acquisitions (*)	**(74,035)**	**(551,865)**
Cash flow generated from (absorbed by) investing activities	**(106,154)**	**(580,219)**
Financing activities:		
Commissions paid for medium/long-term financing	-	(3,758)
Other non-current assets	117	62
Dividends distributions	(30,939)	(24,079)
Treasury shares	-	(9,631)
Capital increases	148	106
Cash flow generated from (absorbed by) financing activities	**(30,674)**	**(37,300)**
Change in net financial position	**1,198**	**(514,333)**
Net financial indebtedness as of period opening date	(746,730)	(232,397)
Merger Hearing Supplies S.r.l.	3,749	-
Change in net financial position	1,198	(514,333)
Net financial indebtedness as of period closing date	**(741,783)**	**(746,730)**

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

The change in net financial debt of €4,947 thousand is attributable mainly to:

a) investing activities:
   - net increase in property, plant and equipment and intangible assets of €32,119 thousand relating largely to investments in information technology, the development of the new ERP system, hardware and updating of the headquarters;
   - an increase in the value of equity investments due mainly to the acquisition of Otohub S.r.l. and the capital increase of the French subsidiary.

b) operating activities:
   - interest expense on financial indebtedness and other net financial charges of €13,972 thousand, €1,680 thousand of which for imputed interest on operating leases;
   - payment of taxes which amounted to €12,636 thousand;
   - dividends received from subsidiaries amounting to €65,592 thousand;
   - cash flow generated by current operations of €114,139 thousand.

c) financing activities:
- net proceeds from the capital increase following the exercise of stock options of €148 thousand;
- dividends paid shareholders amounting to €30,939 thousand;
- increase in other non-current assets of €117 thousand.

DATA CONTROLLER

The Board of Directors held on March 2nd, 2016 appointed the Italian General Manager representative of "Data Controller" for the data related to the Italian business while the Group's Chief Executive Officer as representative of "Data Controller" for the data related to the management and coordination of the Group Amplifon entities.

SUBSIDIARIES

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

MANAGEMENT OUTLOOK

In light of the intensification of the health emergency and the socio-economic effects linked to the spreading of COVID-19 (also known as Coronavirus), the Company feels that it is still not possible to estimate the impact that the epidemic will have in the year. There will be, however, a short-term negative effect on the hearing care market's demand, also due to the containment measures and the restrictions adopted or in the process of being adopted by the different governmental authorities.
The Company confirms, however, that it is already adopting all the operational and economic-financial measures possible to limit the impact of this short-term scenario. The Company also believes that the impact will be temporary and gradually offset when the situation will be normalized, given both the non-discretional nature of the product offered and the fundamentals of the market, in which the Group operates, which remain intact as they are supported by secular trends like the aging of the population and the increase in penetration.
Lastly, the Company still expects an above-market performance given the strategic choices made, which are focused on the customer, as well as the strong competitive advantages stemming from the position of absolute leadership, a unique brand portfolio, high geographic diversification, strong financial profile and the proven and agile execution capabilities demonstrated in past years.
More in detail, as of the beginning of 2020 Amplifon S.p.A. is proceeding with the go live of the new ERP system (*Oracle Fusion Cloud* platform) as part of the Group "One Amplifon Transformation" initiative. The roll-out of the new system will provide the Italian business (Group pilot) with an opportunity to benefit from the modern cloud technology in terms of both automation and optimization of internal processes.

Milan, March 20th, 2020

On behalf of the Board of Directors
CEO
Enrico Vita

Disclaimer

This report contains forward looking statements ("Outlook") regarding 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 several factors, the majority of which are out of the Group's control.

SECTION II

CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31ST, 2019

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€ thousands)		12/31/2019	12/31/2018(*)	Change
Assets				
Non-current assets				
Goodwill	**Note 5**	1,215,511	1,161,598	53,913
Intangible fixed assets with finite useful life	**Note 6**	367,508	359,402	8,106
Tangible fixed assets	**Note 7**	196,579	188,968	7,611
Right-of-use assets	**Note 8**	418,429	-	418,429
Equity-accounted investments	**Note 37**	2,314	2,025	289
Hedging instruments	**Note 10**	8,153	3,725	4,428
Deferred tax assets	**Note 29**	81,427	75,204	6,223
Contract costs	**Note 13**	7,339	5,594	1,745
Other assets	**Note 9**	67,516	60,679	6,837
Total non-current assets		**2,364,776**	**1,857,195**	**507,581**
Current assets				
Inventories	**Note 11**	64,592	61,713	2,879
Trade receivables	**Note 12**	205,219	169,454	35,765
Contract costs	**Note 13**	4,386	3,853	533
Other receivables	**Note 14**	71,553	73,380	(1,827)
Hedging instruments	**Note 10**	2,201	-	2,201
Other financial assets		240	60	180
Cash and cash equivalents	**Note 15**	138,371	89,915	48,456
Total current assets		**486,562**	**398,375**	**88,187**
Total assets		**2,851,338**	**2,255,570**	**595,768**

(*) 2018 Balance Sheet has been revised for the allocation of the GAES acquisition price, see note 4.

(€ thousands)		12/31/2019	12/31/2018(*)	Change
Liabilities				
Net Equity				
Share capital	**Note 16**	4,528	4,527	1
Share premium reserve		202,712	202,565	147
Treasury shares		(29,131)	(50,933)	21,802
Other reserves		(24,669)	(24,186)	(483)
Retained earnings		432,925	362,503	70,422
Profit (loss) for the period		108,666	100,443	8,223
Group net equity		**695,031**	**594,919**	**100,112**
Minority interests		**1,084**	**1,028**	**56**
Total net equity		**696,115**	**595,947**	**100,168**
Non-current liabilities				
Medium/long-term financial liabilities	**Note 18**	750,719	872,669	(121,950)
Lease liabilities	**Note 19**	343,040	-	343,040
Provisions for risks and charges	**Note 20**	50,290	49,619	671
Liabilities for employees' benefits	**Note 21**	25,281	20,290	4,991
Hedging instruments	**Note 10**	4,290	1,957	2,333
Deferred tax liabilities	**Note 29**	102,111	98,932	3,179
Payables for business acquisitions	**Note 22**	13,527	16,136	(2,609)
Contract liabilities	**Note 24**	135,052	118,791	16,261
Other long-term liabilities	**Note 22**	8,649	7,411	1,238
Total non-current liabilities		**1,432,959**	**1,185,805**	**247,154**
Current liabilities				
Trade payables	**Note 23**	177,390	173,100	4,290
Payables for business acquisitions	**Note 25**	10,245	12,643	(2,398)
Contract liabilities	**Note 24**	97,725	93,692	4,033
Tax liabilities	**Note 25**	40,334	32,496	7,838
Other payables	**Note 25**	146,223	118,322	27,901
Hedging instruments	**Note 10**	28	58	(30)
Provisions for risks and charges	**Note 26**	4,242	4,916	(674)
Liabilities for employees' benefits	**Note 27**	545	476	69
Short-term financial liabilities	**Note 28**	163,947	38,115	125,832
Lease liabilities	**Note 19**	81,585	-	81,585
Total current liabilities		**722,264**	**473,818**	**248,446**
Total liabilities		**2,851,338**	**2,255,570**	**595,768**

(*) 2018 Balance Sheet has been revised for the allocation of the GAES acquisition price, see note 4.

CONSOLIDATED INCOME STATEMENT

(€ thousands)		FY 2019			FY 2018			
		Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Change
Revenues from sales and services	Note 30	1,732,063	-	1,732,063	1,362,234	-	1,362,234	369,829
Operating costs	Note 31	(1,340,654)	(22,193)	(1,362,847)	(1,131,060)	(2,193)	(1,133,253)	(229,594)
Other income and costs	Note 32	1,374	-	1,374	2,750	(6,264)	(3,514)	4,888
Gross operating profit (EBITDA)		**392,783**	**(22,193)**	**370,590**	**233,924**	**(8,457)**	**225,467**	**145,123**
Amortization, depreciation and impairment	**Note 33**							
Amortization of intangible fixed assets		(60,534)	-	(60,534)	(36,973)	-	(36,973)	(23,561)
Depreciation of tangible fixed assets		(41,948)	-	(41,948)	(34,343)	-	(34,343)	(7,605)
Right-of-use depreciation		(87,942)	(105)	(88,047)				(88,047)
Impairment losses and reversals of non-current assets		(1,054)	(1,916)	(2,970)	(841)	-	(841)	(2,129)
		(191,478)	**(2,021)**	**(193,499)**	**(72,157)**	**-**	**(72,157)**	**(121,342)**
Operating result		**201,305**	**(24,214)**	**177,091**	**161,767**	**(8,457)**	**153,310**	**23,781**
Financial income, expenses and value adjustments to financial assets	**Note 34**							
Group's share of the result of associated companies valued at equity and gains/losses on disposals of equity investments		188	-	188	426	-	426	(238)
Other income and expenses, impairment and revaluations of financial assets		3	-	3	44	-	44	(41)
Interest income and expenses		(14,387)	-	(14,387)	(12,596)	(649)	(13,245)	(1,142)
Interest expenses on lease liabilities		(11,357)	-	(11,357)	-	-	-	(11,357)
Other financial income and expenses		(581)	-	(581)	(925)	-	(925)	344
Exchange gains and losses		(445)	-	(445)	(864)	-	(864)	419
Gain (loss) on assets accounted at fair value		(373)	-	(373)	(170)	-	(170)	(203)
		(26,952)	**-**	**(26,952)**	**(14,085)**	**(649)**	**(14,734)**	**(12,218)**
Profit (loss) before tax		**174,353**	**(24,214)**	**150,139**	**147,682**	**(9,106)**	**138,576**	**11,563**
Current and deferred income tax	**Note 35**							
Current tax		(53,149)	5,818	(47,331)	(38,797)	2,433	(36,364)	(10,967)
Deferred tax		5,716	-	5,716	(1,802)	-	(1,802)	7,518
		(47,433)	5,818	(41,615)	(40,599)	2,433	(38,166)	(3,449)
Total net profit (loss)		**126,920**	**(18,396)**	**108,524**	**107,083**	**(6,673)**	**100,410**	**8,114**
Net profit (loss) attributable to Minority interests		(142)	-	(142)	(33)	-	(33)	(109)
Net profit (loss) attributable to the Group		**127,062**	**(18,396)**	**108,666**	**107,116**	**(6,673)**	**100,443**	**8,223**

Earnings and dividend per share (€ per share)	Note 38	FY 2019 (*)	FY 2018
Earnings per share • Basic • Diluted		 0.48979 0.48135	 0.45706 0.44801
Dividend per share		- (*)	0.14 (*)

(*) The net profit of 2019 is entirely attributed to retained earnings as proposed by the Board of Directors to the shareholders' meeting called for April 24th, 2020.

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

(€ thousands)		FY 2019	FY 2018
Net income (loss) for the period		**108,524**	**100,410**
Other comprehensive income (loss) that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit plans	**Note 21**	(4,467)	(2,570)
Tax effect on components of other comprehensive income that will not be reclassified subsequently to profit or loss		542	771
Total other comprehensive income (loss) that will not be reclassified subsequently to profit or loss after the tax effect (A)		**(3,925)**	**(1,799)**
Other comprehensive income (loss) that will be reclassified subsequently to profit or loss			
Gains/(losses) on cash flow hedging instruments	**Note 10**	2,449	(960)
Gains/(losses) from *Foreign Currency Basis Spread* on hedging instruments	**Note 10**	(78)	-
Gains/(losses) on exchange differences from translation of financial statements of foreign entities		1,354	(11,482)
Tax effect on components of other comprehensive income that will be reclassified subsequently to profit or loss		(569)	230
Total other comprehensive income (loss) that will be reclassified subsequently to profit or loss after the tax effect (B)		**3,156**	**(12,212)**
Total other comprehensive income (loss) (A)+(B)		**(769)**	**(14,011)**
Comprehensive income (loss) for the period		**107,755**	**86,399**
Attributable to the Group		107,789	86,408
Attributable to Minority interests		(34)	(9)

STATEMENT OF CHANGES IN CONSOLIDATED NET EQUITY

(€ thousands)		Share capital	Share premium reserve	Legal reserve	Other reserves	Treasury shares reserve	Stock option and stock grant reserve
Balance at 01/01/2018		**4,527**	**202,412**	**934**	**3,636**	**(60,217)**	**30,387**
Allocation of profit (loss) for 2017							
Share capital increase			106				
Treasury shares						(9,631)	
Dividend distribution							
Notional cost of stock options and stock grants	**Note 36**						15,892
Other changes			47			18,915	(11,710)
Total comprehensive income (loss) for the period							
• *Hedge accounting*	**Note 10**						
• *Actuarial gains (losses)*							
• *Translation differences*							
• *Result for FY 2018*							
Balance at 12/31/2018		**4,527**	**202,565**	**934**	**3,636**	**(50,933)**	**34,569**

(€ thousands)		Share capital	Share premium reserve	Legal reserve	Other reserves	Treasury shares reserve	Stock option and stock grant reserve
Balance at 01/01/2019		**4,527**	**202,565**	**934**	**3,636**	**(50,933)**	**34,569**
Allocation of profit (loss) for 2018							
Share capital increase		1	147				
Treasury shares							
Dividend distribution							
Notional cost of stock options and stock grants	**Note 36**						16,495
Other changes						21,802	(16,101)
• *Stock Grant*						*21,802*	*(16,101)*
• *Inflation accounting*							
• *Other changes*							
Total comprehensive income (loss) for the period							
• *Hedge accounting*	**Note 10**						
• *Actuarial gains (losses)*							
• *Translation differences*							
• *Result for FY 2019*							
Balance at 12/31/2019		**4,528**	**202,712**	**934**	**3,636**	**(29,131)**	**34,963**

Cash flow hedge reserve	Actuarial gains and losses	Retained earnings	Translation differences	Profit (loss) for the period	Total Shareholders' equity	Minority interests	Total net equity
(7,282)	**(5,324)**	**294,738**	**(36,684)**	**100,578**	**527,705**	**(513)**	**527,192**
		100,578		(100,578)	-		-
					106		**106**
					(9,631)		**(9,631)**
		(24,079)			**(24,079)**		**(24,079)**
					15,892		**15,892**
		(8,734)			**(1,482)**	1,550	**68**
(730)	(1,799)		(11,506)	100,443	**86,408**	(9)	**86,399**
(730)					***(730)***		***(730)***
	(1,799)				***(1,799)***		***(1,799)***
			(11,506)		***(11,506)***	*24*	***(11,482)***
				100,443	***100,443***	*(33)*	***100,410***
(8,012)	**(7,123)**	**362,503**	**(48,190)**	**100,443**	**594,919**	**1,028**	**595,947**

Cash flow hedge reserve	*Foreign Curr. Basis Spread Reserve*	Actuarial gains and losses	Retained earnings	Translation differences	Profit (loss) for the period	Total Shareholders' equity	Minority interests	Total net equity
(8,012)	**-**	**(7,123)**	**362,503**	**(48,190)**	**100,443**	**594,919**	**1,028**	**595,947**
			100,443		(100,443)	-		-
						148		**148**
						-		-
			(30,939)			**(30,939)**		**(30,939)**
						16,495		**16,495**
689	(689)		918			**6,619**	90	**6,709**
			(5,701)			-		-
			6,545			***6,545***		***6,545***
689	*(689)*		*74*			***74***		***74***
1,861	(59)	(3,925)		1,246	108,666	**107,789**	(34)	**107,755**
1,861	*(59)*					***1,802***		***1,802***
		(3,925)				***(3,925)***		***(3,925)***
				1,246		***1,246***	*108*	***1,354***
					108,666	***108,666***	*(142)*	***108,524***
(5,462)	**(748)**	**(11,048)**	**432,925**	**(46,944)**	**108,666**	**695,031**	**1,084**	**696,115**

STATEMENT OF CONSOLIDATED CASH FLOWS

(€ thousands)	FY 2019	FY 2018
Operating activities		
Net profit (loss)	108,524	100,410
Amortization, depreciation and impairment:		
- intangible fixed assets	60,927	37,052
- tangible fixed assets	44,525	35,105
- right-of-use assets	88,047	-
- goodwill	-	-
Provisions, other non-monetary items and gain/losses from disposals	26,771	19,743
Group's share of the result of associated companies	(370)	(547)
Financial income and expenses	27,322	15,281
Current and deferred taxes	41,615	38,166
Cash flow from operating activities before change in working capital	***397,361***	***245,210***
Utilization of provisions	(7,822)	(8,778)
(Increase) decrease in inventories	(2,960)	(6,026)
Decrease (increase) in trade receivables	(33,251)	(23,301)
Increase (decrease) in trade payables	3,244	13,782
Changes in other receivables and other payables	34,101	16,111
Total change in assets and liabilities	***(6,688)***	***(8,212)***
Dividends received	188	380
Interest received (paid)	(24,511)	(19,892)
Taxes paid	(46,983)	(36,590)
Cash flow generated from (absorbed by) operating activities (A)	**319,367**	**180,896**
Investing activities:		
Purchase of intangible fixed assets	(40,600)	(29,843)
Purchase of tangible fixed assets	(50,513)	(48,128)
Consideration from sale of non-current assets	2,235	1,825
Cash flow generated from (absorbed by) operating investing activities (B)	**(88,878)**	**(76,146)**
Purchase of subsidiaries and business units	(68,567)	(641,455)
Increase (decrease) in payables for business acquisitions	(4,623)	14,941
(Purchase) sale of other investments and securities	378	451
Cash flow generated from (absorbed by) acquisition activities (C)	**(72,812)**	**(626,063)**
Cash flow generated from (absorbed by) investing activities (B+C)	**(161,690)**	**(702,208)**
Financing activities:		
Increase (decrease) in financial payables	(1,756)	503,298
(Increase) decrease in financial receivables	(164)	(226)
Derivative instruments and other non-current assets	-	-
Commissions paid for medium/long-term financing	-	(3,758)
Principal portion of lease payments	(81,006)	-(779)
Other non-current assets and liabilities	2,677	1,901
Treasury shares purchase	-	(9,631)
Dividends distributed	(30,939)	(24,079)
Capital increases and minority shareholders' contributions and dividends paid to third parties by subsidiaries	(134)	(22)
Cash flow generated from (absorbed by) financing activities (D)	**(111,322)**	**466,704**
Net increase in cash and cash equivalents (A+B+C+D)	**46,355**	**(54,608)**

(€ thousands)	FY 2019	FY 2018
Cash and cash equivalents at beginning of period	**89,915**	**124,082**
Effect of discontinued operations on cash & cash equivalents	(50)	(149)
Effect of exchange rate fluctuations on cash & cash equivalents	444	(226)
Liquid assets acquired	1,707	20,816
Flows of cash and cash equivalents	46,355	(54,608)
Cash and cash equivalents at end of period	**138,371**	**89,915**

Related-party transactions relate to lease 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. Such loans are detailed in Note 39.

SUPPLEMENTARY INFORMATION TO THE STATEMENT OF CONSOLIDATED CASH FLOWS

The fair values of the assets and liabilities acquired, which are described in the following section 5, are summarized in the table below:

(€ thousands)	FY 2019	FY 2018
• Goodwill	49,946	584,294
• Customer lists	23,145	32,492
• Trademarks and non-competition agreements	-	-
• Other intangible fixed assets	2,336	849
• Tangible fixed assets	2,891	34,295
• Right-of-use assets	3,605	-
• Current assets	5,793	66,076
• Provisions for risks and charges	(32)	(6,188)
• Current liabilities	(5,063)	(78,999)
• Other non-current assets and liabilities	(15,392)	(22,787)
• Minority interests	-	(863)
Total investments	**67,229**	**609,169**
Net financial debt acquired	1,338	32,286
Total business combinations	**68,567**	**641,455**
(Increase) decrease in payables through business acquisition	4,623	(14,941)
Purchase (sale) of other investments and securities	(378)	(451)
Cash flow absorbed by (generated from) acquisitions	**72,812**	**626,063**
(Cash and cash equivalents acquired)	(1,707)	(20,816)
Net cash flow absorbed by (generated from) acquisitions	**71,105**	**605,247**

In addition to the acquisitions of small/medium-sized businesses, the GAES acquisition was also finalized in 2018. No significant, single acquisitions were made in 2019.

NOTES

1 GENERAL INFORMATION

The Amplifon Group is a global leader in the distribution of hearing solutions and the fitting of customized products.

The parent company, Amplifon S.p.A. is based in Milan, in Via Ripamonti 133. The Group is controlled directly by Ampliter S.r.l. which is owned through a majority stake (93.82% as at 12/31/2019) by Amplifin S.p.A. which is fully controlled by Susan Carol Holland.

The consolidated financial statements at 31 December 2019 have been prepared in accordance with International Financial Reporting Standards (IFRS) 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 2019. International Financial Reporting 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 reporting standard itself and the Group has elected to do so.

The publication of the consolidated financial statements of the Amplifon Group at 31 December 2019 was authorized by the Board of Directors on 20 March 2020. These financial statements are subject to the approval of the Annual Shareholders' Meeting of Amplifon S.p.A. convened on 24 April 2020.

The accounting policies 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 45.

2 CHANGES OF TO THE ACCOUNTING POLICIES

IFRS 16 Leases

The Group has adopted IFRS 16 "Leases", effective 1 January 2019, which resulted in changes to the accounting policies and sizeable adjustments to the amounts recognized in the financial statements.

These notes explain the transition approach used by the Amplifon Group and the impact on the Group's consolidated financial statements.

Introduction

The accounting standard IFRS 16 "Leases" replaces IAS 17, as well as the interpretation of IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases—Incentives" and SIC-27 "Evaluating the Substance of Transactions involving the Legal Form of a Lease" effective 1 January 2019.

IFRS 16 contains the standards for the recognition, measurement, presentation and disclosure of leases and requires the lessee to recognize most leases in the financial statements.

Lessor accounting under IFRS 16 is basically the same as IAS 17. The lessor will continue to classify leases as either operating or finance based on the indicators included in IAS 17. IFRS 16, therefore, will not impact the accounting treatment of the leases in which the Group is lessor.

As lessee, however, a right-of-use asset for the leased good must be recognized over the term of the lease along with a lease liability equal to the payments that must be made in the future under the lease.

Interest payable on lease liabilities and the depreciation of the right-of-use asset will be recognized separately in the income statement.

The standard provides for two exemptions: leases for low value assets and short-term leases, namely leases with a term of less than 12 months without purchase options.
The choice of short-term leases must be made for the underlying asset classes to which the right-of-use refers. An underlying asset class is a group of assets similar in type and use. The treatment of leases in which the underlying asset is of low value may be made based on each lease.
For these leases, the introduction of IFRS 16 will not result in the recognition of the lease liability and the relative right-of-use, but the lease paid will be recognized in the income statement on a straight-line basis over the lease term.

Scope of application:

The Amplifon Group contracts that fall within the scope of the standard include mainly the lease of stores, headquarters, warehouses, cars and other electronic machinery.

Transition method and practical expedients:

The Amplifon Group opted to transition using the modified retrospective approach.

More in detail, based on the modified retrospective approach for the leases classified previously as operating leases:
- the lessee must assume the leasing liabilities like the present value of remaining payments over the remaining lease term discounted using the incremental borrowing rate at the initial application date;
- the lessee must recognize a right-of-use asset at the date of initial application for leases classified previously as operating leases. As allowed under the standard, the Amplifon Group opted to value the right-of-use asset as a lease lability, adjusted by the amount of any prepaid or accrued lease payments recognized in the latest statement of financial position prior to initial adoption.

In accordance with the exemptions provided for in the standard, the Company opted:
- to exclude the initial direct costs stemming from the right-of-use measurement at 1 January 2019;
- not to apply the standard to low-value assets like computers, printers and electronic equipment;
- not to apply the standard to leases with a term equal to or less than 12 months without purchase options (short-term leases). The Group, as allowed under the principle based on which short-term leases must be applied to asset classes, did not apply this exemption to leases belonging to the category "stores". The number of the leases to which the exemption applies is marginal;
- to not review each contract in effect at 1 January 2019, applying IFRS 16 to contracts previously identified as leases (as per IAS 17 and IFRIC 4).

Use of estimates:

The transition to IFRS 16 required certain professional judgements to be made including the definition of a few accounting policies and the use of assumptions and estimates relating to the lease term, as well as the determination of the incremental borrowing rate, as summarized below:
- lease term: the duration was determined on a lease-by-lease basis and is comprised of the "non-

cancellable” period along with the impact of any extension or early termination clauses if exercise of that clause is reasonably certain. This property valuation took into account circumstances and facts specific to each asset;

- incremental borrowing rate: in most of the lease agreements stipulated by the Group, there is no implicit interest rate, therefore the discount rate applied to future rent payments was determined using the risk-free rate in the country where the agreement was executed, with expirations consistent with the term of the specific lease agreement plus the parent’s credit spread (deduced from the main financing agreements negotiated by the parent for the Group) and any costs for additional guarantees;
- the Group found that the average lease term is around 5 years and that the incremental borrowing rate for that term is about 3%.

IFRS 9 Financial Instruments

During the year the Amplifon Group adopted the provisions of IFRS 9 relating to hedge accounting, for which IAS 39 had been used previously, which did not impact the valuation of the Group’s assets, liabilities, costs and revenues.

3 IMPACT DUE TO THE NEW ACCOUNTING POLICIES

Adoption of the IFRS16 standard as of 1 January 2019 resulted in an increase in the right-of-use assets and lease liabilities equal to the present value of future installments payable over the lease term, as shown below. Upon first application, the right-of-use was also adjusted to reflect any prepayments made at 1 January 2019.

(€ thousands)	01/01/2019	Change for IFRS 16 adoption	01/01/2019 w/o IFRS 16
Non-current assets			
Right-of-use assets	442,063	442,063	-
Current assets			
Non-financial prepayments and accrued income	71,123	(2,257)	73,380

(€ thousands)	01/01/2019	Change for IFRS 16 adoption	01/01/2019 w/o IFRS 16
Non-current liabilities			
Lease liabilities	368,117	368,117	-
Current liabilities			
Lease liabilities	71,689	71,689	-

The lease liabilities recognized as a result of first application were higher than the commitments to pay rents in the future recognized in the financial statements of the year ended on 31 December 2018 (€397 million) mainly because the latter did not include any amounts linked to renewal options but, conversely, they were not discounted.

4 RESTATEMENT OF 2018 BALANCE SHEET DATA FIGURES ACCORDING TO THE ALLOCATION OF THE GAES ACQUISITION PRICE

During the period, with the support of an independent expert, it was determined the fair value of the acquired assets and liabilities relating to the acquisition of GAES occurred at the end of 2018. Therefore, the comparison figures in the consolidated financial statements at 31 December 2018 were restated as summarized below.

(€ thousands)	12/31/2018	Fair value allocation	12/31/2018 Post allocation
Assets			
Non-current assets			
Goodwill	1,258,848 (*)	(97,250)	1,161,598
Intangible fixed assets with finite useful life	223,832	135,570	359,402
Tangible fixed assets	188,651	317	188,968
Equity-accounted investments	2,025	-	2,025
Hedging instruments	3,725	-	3,725
Deferred tax assets	74,641	563	75,204
Contract costs	5,594	-	5,594
Other assets	60,679	-	60,679
Total non-current assets	**1,817,995**	**39,200**	**1,857,195**
Current assets			
Inventories	61,770	(57)	61,713
Trade receivables	169,454	-	169,454
Contract costs	3,853	-	3,853
Other receivables	75,387	(2,007)	73,380
Hedging instruments	-	-	-
Other financial assets	60	-	60
Cash and cash equivalents	89,915	-	89,915
Total current assets	**400,439**	**(2,064)**	**398,375**
Total assets	**2,218,434**	**37,136**	**2,255,570**

(*) Considering that the GAES acquisition was finalized at the end of 2018, a temporary goodwill of €513,286 thousand was recognized in the consolidated Balance Sheet.

The allocation to intangible fixed assets with a finite useful life of €135,570 thousand can be explained as follows: for €76,170 thousand, by customer lists, for €49,000 thousand, by trademarks, for €7,400 thousand, by licenses, and for €3,000 thousand, by software.

(€ thousands)	12/31/2018	Fair value allocation	12/31/2018 Post allocation
Liabilities			
Net Equity			
Share capital	4,527	-	4,527
Share premium reserve	202,565	-	202,565
Treasury shares	(50,933)	-	(50,933)
Other reserves	(24,186)	-	(24,186)
Retained earnings	362,503	-	362,503
Profit (loss) for the period	100,443	-	100,443
Group net equity	**594,919**	**-**	**594,919**
Minority interests	**1,183**	**(155)**	**1,028**
Total net equity	**596,102**	**(155)**	**595,947**
Non-current liabilities			
Medium/long-term financial liabilities	872,669	-	872,669
Provisions for risks and charges	48,043	1,576	49,619
Liabilities for employees' benefits	20,290	-	20,290
Hedging instruments	1,957	-	1,957
Deferred tax liabilities	64,885	34,047	98,932
Payables for business acquisitions	16,136	-	16,136
Contract liabilities	118,791	-	118,791
Other long-term liabilities	7,411	-	7,411
Total non-current liabilities	**1,150,182**	**35,623**	**1,185,805**
Current liabilities			
Trade payables	173,649	(549)	173,100
Payables for business acquisitions	12,643	-	12,643
Contract costs	93,692	-	93,692
Other payables	150,749	69	150,818
Hedging instruments	58	-	58
Provisions for risks and charges	2,768	2,148	4,916
Liabilities for employees' benefits	476	-	476
Short-term financial liabilities	38,115	-	38,115
Total current liabilities	**472,150**	**1,668**	**473,818**
Total liabilities	**2,218,434**	**37,136**	**2,255,570**

The purchase price allocation did not impact the consolidated income statement at 31 December 2018 as the transaction was completed at the end of December.

5 ACQUISITIONS AND GOODWILL

The Group's external growth continued during the period. 133 points of sale were purchased for a total investment of Euro 66,860 thousand, including the acquired net financial position and the best estimate of the earn-out linked to sales and profitability targets payable over the next few years.

More in detail during the FY 2019:
- 54 points of sale were acquired in Germany;
- 52 points of sale were acquired in France;
- 8 points of sale and 1 customer lists were acquired in Spain;
- 4 points of sale and 2 customer lists were acquired in Switzerland;
- 2 points of sale were acquired in Israel;
- 1 point of sale was acquired in Andorra;
- 1 customer list was acquired in the United Kingdom;
- 8 points of sale were acquired in Canada.
- 4 points of sale and 2 customer lists were acquired in the United States, along with 9 points of sale that were previously part of the indirect channel;

SHARE DEALS

Company Name	Date	Location
Entendre - Blandine Lannee	01/01/2019	*France*
Conversons 91	01/01/2019	*France*
Conversons 93	01/01/2019	*France*
Conversons Lyon	01/01/2019	*France*
OLM	01/01/2019	*France*
Cap Audition	02/01/2019	*France*
Audiolor	06/01/2019	*France*
Audition Paca	06/01/2019	*France*
Laboratoire d'Audiologie Eric Hans	06/01/2019	*France*
Acouvox (including its fully owned subsidiary "Audition Assas")	09/01/2019	*France*
Audition Assas Sarl	09/01/2019	*France*
Espace de Correction Auditive	09/01/2019	*France*
Correction Auditive Michèle HUC	11/01/2019	*France*
N France (including its fully owned subsidiary "Audiness")	11/01/2019	*France*
Audiness	11/01/2019	*France*
Otohub S.r.l.	07/01/2019	*Italy*
Instituto Médico Auditivo, S.L.	10/01/2019	*Spain*
Amplifon Latam Holding, S.L.	11/28/2019	*Spain*
Auditiva 2014, S.L.	04/29/2019	*Spain*
Grand River Tinnitus and Hearing Centre	08/01/2019	*Canada*
Cobourg Hearing Inc	10/24/2019	*Canada*
Ossicle Hearing, Inc	10/25/2019	*Canada*
2076748 Alberta Ltd (Clarico Hearing Stony Plain)	02/12/2019	*Canada*
2063047 Alberta Ltd (Clarico Hearing Camrose)	02/12/2019	*Canada*

ASSET DEALS

Company Name	Date	Location	Company Name	Date	Location
Mouchard	01/28/2019	*France*	Hörzentrum Röttig	06/01/2019	*Germany*
Sulpice	02/18/2019	*France*	Aurrex Hörsysteme	07/01/2019	*Germany*
Nageleisen	10/14/2019	*France*	Hörgeräte Linden	07/01/2019	*Germany*
Nöth Hörgeräte	01/01/2019	*Germany*	Augenoptik Hörgeräte Sager	08/01/2019	*Germany*
Bach Akustik	01/01/2019	*Germany*	Beck's Hörgeräte GmbH	08/01/2019	*Germany*
Hörstudio Petra Götzen im LDW	01/01/2019	*Germany*	Hörgerätezentrum Jütz	08/01/2019	*Germany*
Rix-Hörgeräte	01/01/2019	*Germany*	Huep - Die Hörhilfe	10/01/2019	*Germany*
Hörgeräte Schabronath	01/01/2019	*Germany*	Audiolife Ltd	09/01/2019	*Israel*
Hörgeräte Laute	02/01/2019	*Germany*	Gamum medical services Ltd	10/01/2019	*Israel*
Ohrginal hörakustik GmbH	02/01/2019	*Germany*	VERSTEHBAR AG	07/01/2019	*Switzerland*
Hörgeräteakustik Brungs	03/01/2019	*Germany*	Hörberatung Loppacher AG	07/31/2019	*Switzerland*
Jünger Hören Keck	03/01/2019	*Germany*	Hörberatung Rasser GmbH	10/01/2019	*Switzerland*
Stein's Hörgeräte	03/01/2019	*Germany*	Lonestar Hearing LLC	02/01/2019	*United States*
Hörakustik Heinisch & Raeder	04/01/2019	*Germany*	Sound Hearing Group	02/01/2019	*United States*
Haus des Hörens Bünting	04/01/2019	*Germany*	Woodland Hearing Aid Services	03/01/2019	*United States*
Hörgeräte Hohenstein	04/01/2019	*Germany*	My Blue Lotus. Inc,	04/15/2019	*United States*
Hörgeräte Kirsch	04/01/2019	*Germany*	Valley Healthcare LLC	10/04/2019	*United States*
Coburger - HGA Hörgeräte-Akustik	05/01/2019	*Germany*	Your Best Hearing LLC	10/04/2019	*United States*
Coburger - Hörzentrum Zittau	05/01/2019	*Germany*	Hilo. HI - Olsen	12/21/2019	*United States*
Coburger - HÖRspezialisten Görlitz	05/01/2019	*Germany*	Emanuele Hearing Health Care. LLC	12/16/2019	*United States*
Hörgeräteakustik Riedel GmbH	05/01/2019	*Germany*	Claritas Hearing LLP	02/07/2019	*United Kingdom*
Neues Hören Süd GmbH	05/01/2019	*Germany*	Chestermere Hearing Clinic Incorporated	04/04/2019	*Canada*
Neues Hören GmbH	05/01/2019	*Germany*			

(€ thousands)	Total Purchase Price	Cash acquired	Financial debts acquired	Total Cost	Expected annual turnover (*)	Contribution to turnover from the purchase date
Total share deals	35,617	(1,707)	1,338	35,248	13,802	12,112
Total asset deals	31,612			31,612	24,614	5,322
Total	**67,229**	**(1,707)**	**1,338**	**66,860**	**38,416**	**17,434**

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

Changes in goodwill and the amounts recognized during the year following acquisitions completed in the reporting period, broken down by Groups of Cash Generating Units, are detailed in the table below.

(€ thousands)	Net carrying value at 12/31/2018 (*)	Business combinations	Disposals	Impairment	Other net changes	Net carrying value at 12/31/2019
EMEA	793,469	46,012	(1)	-	322	839,802
AMERICAS	122,185	3,934	-	-	299	126,418
APAC	245,945	-	-	-	3,347	249,291
Total non-current assets	**1,161,598**	**49,946**	**(1)**	**-**	**3,968**	**1,215,511**

(*) 2018 Balance Sheet has been revised for the allocation of the GAES acquisition price, see note 4.

"Business combinations" refers to the temporary allocation to goodwill of the portion of the purchase price paid which is not directly attributable to the fair value of assets and liabilities but, rather, based on the assumption that the positive contribution to cash flow will last for an indefinite period of time.

"Other net changes" is almost entirely attributable to foreign exchange differences.

A summary of the carrying amount and fair value of assets and liabilities, deriving from the provisional allocation of the purchase price due to business combinations excluding the purchase of non-controlling interests in subsidiaries, is provided in the following table.

(€ thousands)	EMEA	Americas	Asia Pacific	Total
Cost of acquisitions of the period	**62,507**	**4,722**	**-**	**67,229**
Assets and liabilities acquired – Book value				
Current assets	3,718	368	-	4,086
Current liabilities	(3,216)	(509)	-	(3,725)
Net working capital	**502**	**(141)**	**-**	**361**
Other intangible, tangible and right-of-use assets	8,501	331	-	8,832
Provisions for risks and charges	(32)	-	-	(32)
Other non-current assets and liabilities	(3,473)	-	-	(3,473)
Non-current assets and liabilities	**4,996**	**331**	**-**	**5,327**
Net invested capital	**5,498**	**190**	**-**	**5,688**
Net financial position	**185**	**184**	**-**	**369**
Net equity acquired - book value	**5,683**	**374**	**-**	**6,057**
Difference to be allocated	**56,824**	**4,348**	**-**	**61,172**
Allocations				
Trademarks	-	-	-	-
Non-competition agreements	-	-	-	-
Customer lists	22,016	1,129	-	23,145
Contract liabilities - Short and long-term	(7,937)	(678)	-	(8,615)
Deferred tax assets	4,971	138	-	5,109
Deferred tax liabilities	(8,238)	(175)	-	(8,413)
Total allocations	**10,812**	**414**	**-**	**11,226**
Goodwill	**46,012**	**3,934**	**-**	**49,946**

Identification of the Groups of Cash Generating Units

As a result of the gradual centralization undertaken by the Amplifon Group, which culminated in 2019 with the launch of the Amplifon Product Line (APL) and/or the Amplifon Product Experience (APE), the countries' cash flows have become less independent. The role of Corporate has, in fact, increased gradually and different activities carried out by the countries are coordinated centrally. The budget guidelines are defined by Corporate by region and within these guidelines the Executive Vice Presidents have a certain amount of freedom in managing their respective regions and allocating resources. The countries have, therefore, gone from being full-fledged entrepreneurs to limited risk distributors.

In light of the above, for the purposes of impairment testing in 2019 the total goodwill stemming from the cost incurred for a business combination was allocated to groups of cash generating units; these groups of cash generating units were identified by region and benefit from synergies, as well as shared policies, and are autonomous in the management and use of resources.

The groups of cash generating units identified for the purpose of impairment testing in 2019 are:

- EMEA (Italy, France, the Netherlands, Germany, Belgium and Luxembourg, Switzerland, Spain, Portugal, the UK, Ireland, Hungary, Poland, Israel and Egypt);
- AMERICAS (USA, Canada, Argentina, Chile, Mexico, Panama, Ecuador and Colombia);
- APAC (Australia, New Zealand, India and China).

All the groups of cash generating units were subject to impairment tests based on the 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 groups of cash generating units was determined by discounting the estimated future cash flows forecast in the three-year business plan (2020-2022) approved by the subsidiaries as well as from the Amplifon Group business plan approved by the Board of Directors on 17 December 2019.

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 group of cash generating units, 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 "retail medical products and services".

The perpetual growth rate for each country was adjusted to reflect the International Monetary Fund's forecast for inflation in 2023.

With the introduction of IFRS 16, the right-of-use asset recognized in the financial statements constitutes a non-financial asset which must be included in the groups of cash generating units. In

2019 therefore, the impairment tests of groups of cash generating units were conducted including the impact of the IFRS 16 application on the consolidated financial statements.

	EMEA	AMERICAS	APAC
Growth rate	1.82%	2.45%	2.25%
WACC (*) 2019	5.24%	8.40%	6.67%
Cash flow time horizon	3Y	3Y	3Y
WACC (*) 2018	6.12%	6.86%	7.41%

(*) the WACC of the Groups of CGUs was determined by weighting the WACCs of each individual CGU found in the region based on the respective EBITDA recorded in the last year of the business plan.

No loss in value was identified as a result of impairment testing.

For all the groups of cash generating units a sensitivity analysis was also carried out to determine the change in underlying assumptions which, in light of the impact of this change on other variables, would result in the CGU's recoverable value being 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 the book value of all the groups of cash generating units.

	Negative changes (percentage points) in 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 (percentage points) in the discount rates which would make the CGU's recoverable value equal to its book value
EMEA	10%	68%	8%
AMERICAS	56%	82%	26%
APAC	1.50%	22%	1.30%

6 INTANGIBLE FIXED ASSETS WITH FINITE USEFUL LIFE

The following table shows the changes in intangible fixed assets.

(€ thousands)	Historical cost at 12/31/2018 (*)	Accumulated amortization and write-downs at 12/31/2018 (*)	Net book value at 12/31/2018 (*)	Historical cost at 12/31/2019	Accumulated amortization and write-downs at 12/31/2019	Net book value at 12/31/2019
Software	122,838	(84,195)	38,643	151,863	(100,820)	51,043
Licenses	21,369	(11,191)	10,178	21,836	(14,762)	7,074
Non-competition agreements	6,459	(5,808)	651	7,342	(6,693)	649
Customer lists	353,108	(137,874)	215,234	378,407	(167,075)	211,332
Trademarks and concessions	81,495	(18,875)	62,620	82,052	(24,599)	57,453
Other	25,541	(10,100)	15,441	28,423	(12,022)	16,401
Fixed assets in progress and advances	16,635	-	16,635	23,556	-	23,556
Total	**627,445**	**(268,043)**	**359,402**	**693,479**	**(325,971)**	**367,508**

(€ thousands)	Net book value at 12/31/2018 (*)	Investments	Disposals	Amortization	Business combinations	Impairment	Other net changes	Net book value at 12/31/2019
Software	38,643	16,703	(9)	(20,564)	1,910	(19)	14,379	51,043
Licenses	10,178	546	-	(3,810)	56	-	104	7,074
Non-competition agreements	651	517	-	(822)	-	-	303	649
Customer lists	215,234	-	-	(27,815)	23,085	-	828	211,332
Trademarks and concessions	62,620	-	-	(5,360)	(2)	-	195	57,453
Other	15,441	1,348	(348)	(2,163)	432	(308)	1,999	16,401
Fixed assets in progress and advances	16,635	21,486	-	-	-	(66)	(14,499)	23,556
Total	**359,402**	**40,600**	**(357)**	**(60,534)**	**25,481**	**(393)**	**3,309**	**367,508**

(*) 2018 Balance Sheet has been revised for the allocation of the GAES acquisition price, see note 4.

The change in "Business combinations" comprises:
- for €24,350 thousand, the temporary allocation of the price paid for acquisitions made in EMEA;
- for €1,131 thousand, the temporary allocation of the price paid for acquisitions made in the Americas.

The increase in intangible fixed assets recorded in the period is mainly attributable to investments in the CRM systems, digital marketing and the new ERP system for back office functions (Human Resources, Procurement and Administration and Finance).

"Other net changes" refers to exchange rate fluctuations in the period and the recognition of the work in progress completed in the period in the relative items of the financial statements.

7 TANGIBLE FIXED ASSETS

The following table shows the changes in tangible fixed assets.

(€ thousands)	Historical cost at 12/31/2018 (*)	Accumulated amortization and write-downs at 12/31/2018 (*)	Net book value at 12/31/2018 (*)	Historical cost at 12/31/2019	Accumulated amortization and write-downs at 12/31/2019	Net book value at 12/31/2019
Land	168	-	168	209	-	209
Buildings, constructions and leasehold improvements	223,218	(135,555)	87,663	239,688	(150,402)	89,286
Plant and machines	54,124	(38,577)	15,547	59,788	(42,305)	17,483
Industrial and commercial equipment	48,368	(33,612)	14,756	50,506	(36,523)	13,983
Motor vehicles	5,931	(4,238)	1,693	3,127	(2,185)	942
Computers and office machinery	53,823	(41,131)	12,692	62,500	(46,956)	15,544
Furniture and fittings	114,341	(72,675)	41,666	125,814	(79,300)	46,514
Other tangible fixed assets	2,273	(1,295)	978	3,364	(889)	2,475
Fixed assets in progress and advances	13,805	-	13,805	10,143	-	10,143
Total	**516,051**	**(327,083)**	**188,968**	**555,139**	**(358,560)**	**196,579**

(€ thousands)	Net book value at 12/31/2018 (*)	Investments	Disposals	Amortization	Business combinations	Impairment	Other net changes	Net book value at 12/31/2019
Land	168	-	-	-	-	-	41	209
Buildings, constructions and leasehold improvements	87,663	15,199	(23)	(18,194)	630	(1,137)	5,148	89,286
Plant and machines	15,547	3,828	(159)	(3,797)	1,160	(379)	1,283	17,483
Industrial and commercial equipment	14,756	2,530	(85)	(3,785)	77	(36)	526	13,983
Motor vehicles	1,693	162	(76)	(292)	(19)	(1)	(525)	942
Computers and office machinery	12,692	8,556	(54)	(6,815)	111	(17)	1,071	15,544
Furniture and fittings	41,666	10,629	(392)	(8,708)	503	(788)	3,604	46,514
Other tangible fixed assets	978	1,426	(12)	(357)	141	(219)	518	2,475
Fixed assets in progress and advances	13,805	8,183	(46)	-	288	-	(12,087)	10,143
Total	**188,968**	**50,513**	**(847)**	**(41,948)**	**2,891**	**(2,577)**	**(421)**	**196,579**

(*) 2018 Balance Sheet has been revised for the allocation of the GAES acquisition price, see note 4.

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 Group's new brand image.

The change in "Business combinations" comprises:

- for €2,562 thousand, the temporary allocation of the price paid for acquisitions made in EMEA;
- for €329 thousand, the temporary allocation of the price paid for acquisitions made in the Americas.

"Other net changes" refers primarily to exchange rate fluctuations in the period and the recognition of the work in progress completed in the period in the relative items of the consolidated financial statements.

8 RIGHT-OF-USE ASSETS

Right-of-use assets are reported here below:

(€ thousands)	Historical cost at 12/31/2018 (*)	Accumulated amortization and write-downs at 12/31/2018 (*)	Net book value at 12/31/2018 (*)	Historical cost at 12/31/2019	Accumulated amortization and write-downs at 12/31/2019	Net book value at 12/31/2019
Shops and offices	-	-	-	490,070	(82,424)	407,646
Motor vehicles	-	-	-	16,875	(6,625)	10,250
Electronic machinery	-	-	-	694	(161)	533
Total	**-**	**-**	**-**	**507,639**	**(89,210)**	**418,429**

(€ thousands)	Net book value at 12/31/2018 (*)	Investments	Disposals	Amortiza-tion	Business combinations	Impairment	Other net changes	Net book value at 12/31/2019	Net book value at 12/31/2019
Shops and offices	-	434,305	69,771	(15,799)	(82,951)	3,033	-	(713)	407,646
Motor vehicles	-	7,387	8,435	(227)	(4,936)	572	-	(981)	10,250
Electronic machinery	-	371	367	(53)	(160)	-	-	8	533
Totale	**-**	**442,063**	**78,573**	**(16,079)**	**(88,047)**	**3,605**	**-**	**(1,686)**	**418,429**

(*) IFRS 16 was applied using the modified retrospective approach, the company recognized at 1st January 2019 a lease liability without calculating any restatement of 2018 figures.

9 OTHER NON-CURRENT ASSETS

(€ thousands)	Balance at 12/31/2019	Balance at 12/31/2018	Change
Long-term financial receivables	7,866	8,937	(1,071)
Asset Plans and other restricted amounts	33,516	28,861	4,655
Other non-current assets	26,134	22,881	3,253
Total	**67,516**	**60,679**	**6,837**

More in detail:

- long-term financial receivables refer largely to the loans granted by American subsidiaries to franchisees and partners of the Elite network in order to support investment and development in the United States held as part of a hold to collect business model based on which contractual cash flows are collected at maturity;

- asset plans and other restricted amounts refer 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 20.
- Other non-current assets include:
  - €8,682 thousand in security deposits for lease liabilities;
  - €1,588 thousand (€2,365 thousand in the comparative period) relating to the medium/long-term portion of the amounts payable to the American subsidiaries for the sale of freehold stores to franchisees;
  - €14,962 thousand in commission and other compensation payable to the agents and suspended as a consequence of services to be performed in the future, relating mainly to the agents in Italy.

The cash flow stemming from the contracts relating to 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 the non-current assets in accordance with the accounting treatment applied.

(€ thousands)	DECEMBER 31ST, 2019		
Consolidated statement of financial position	Amortized cost	Fair Value through OCI	Fair Value through P&L
Non-current assets			
Financial assets measured at FV through P&L			
Financial long-term receivables	7,866		
Asset plans and other restricted amounts			33,516
Other non-current assets	26,134		

(€ thousands)	DECEMBER 31ST, 2018		
Consolidated statement of financial position	Amortized cost	Fair Value through OCI	Fair Value through P&L
Non-current assets			
Financial assets measured at FV through P&L			
Financial long-term receivables	8,937		
Asset plans and other restricted amounts			28,861
Other non-current assets	22,881		

10 DERIVATIVES AND HEDGE ACCOUNTING

These are instruments not listed on official markets; entered into for the purpose of hedging interest rate and/or currency risk. The fair value of these instruments is determined using valuation models based on market-derived inputs (source: Bloomberg) such as forward rates, exchange rates, etc. The valuation is performed using the DCF method. Own risk and counterparty risk (credit/debit value adjustments) were taken into account. These credit/debit value adjustments were determined based on market information such as the value of CDS (Credit Default Swaps) and used to determine counterparty risk, also taking into account the mutual break clause if present.

The following table shows the fair values of the derivatives outstanding at the end of the comparative period and at the reporting date showing 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 separately.

(€ thousands)	*FAIR VALUE AT 12/31/2019*		*FAIR VALUE AT 12/31/2018*	
Type	**Assets**	**(Liabilities)**	**Assets**	**(Liabilities)**
Fair value hedge	-	-	-	-
Cash flow hedge	10,354	(4,290)	3,725	(1,957)
Total hedge accounting	**10,354**	**(4,290)**	**3,725**	**(1,957)**
Non-hedge accounting	-	(28)	-	(58)
Total	**10,354**	**(4,318)**	**3,725**	**(2,015)**

Cash Flow Hedges

In 2019, cash flow hedges were made against the currency and interest rate risk relating to the USD130 million 2013-2025 private placement and the interest rate risk associated to the first *tranche* (*Facility* A) of the medium-long term syndicated loan , equal to €265 million, stipulated for the GAES acquisition and to other €200 million medium-long term loans.

(€ thousands)		*FAIR VALUE* AT 12/31/2019		*FAIR VALUE* AT 12/31/2018	
Hedging purpose	**Hedged risk**	**Assets**	**(Liabilities)**	**Assets**	**(Liabilities)**
Private placement 2013-2025	Exchange rate and interest rate	10,354	-	3,725	-
Medium/long-term loans	Interest rate	-	(2,017)	-	(1,957)
Syndicated loan for GAES acquisition	**Interest rate**	-	**(2,273)**	-	-
	Total	**10,354**	**(4,290)**	**3,725**	**(1,957)**

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)	RECOGNIZED IN NET EQUITY	RECLASSIFIED TO THE INCOME STATEMENT - EFFECTIVE PORTION	RECLASSIFIED TO THE INCOME STATEMENT - INEFFECTIVE PORTION
Consolidated statement of financial position	**Debit)/Credit**	**(Loss) Gain**	**(Loss) Gain**
1/1/2018 - 12/31/2018	4,130	5,141	(50)
1/1/2019 - 12/31/2019	2,371	2,183	(257)

The maturity of the hedges is in line with the duration of the item hedged. Please refer to Note 18 for details.

Non-hedge accounting derivatives

Non-hedge accounting derivatives comprise forwards hedging the exchange risk on the dividends that Amplifon Australia will pay to Amplifon S.p.A. and Amplifon Nederland the share of the dividends. The expiring date of these instruments is February 2020.

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

(€ thousands)	DECEMBER 31ST, 2019	
Consolidated statement of financial position	Fair value Net Equity	Fair Value through P&L
Asset Derivative Instruments – Cash flow hedge	10,354	
Liability Derivative Instruments – Cash flow hedge	(4,290)	
Asset Derivative Instruments - Non-hedge accounting		
Liability Derivative Instruments - Non-hedge accounting		(28)

(€ thousands)	DECEMBER 31ST, 2018	
Consolidated statement of financial position	Fair value Net Equity	Fair Value through P&L
Asset Derivative Instruments – Cash flow hedge	3,725	
Liability Derivative Instruments – Cash flow hedge	(1,957)	
Asset Derivative Instruments - Non-hedge accounting		
Liability Derivative Instruments - Non-hedge accounting		(58)

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. listed (unadjusted) prices in active markets for identical assets and liabilities;
2. input data other than the above listed 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.

(€ thousands)	2019				2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Hedging instruments								
• Long-term		8,153		8,153		3,725		3,725
• Short-term		2,201		2,201				
Liabilities								
Hedging instruments								
• Long-term		(4,290)		(4,290)		(1,957)		(1,957)
• Short-term		(28)		(28)		(58)		(58)

There were no transfers among the levels during the period.

11 INVENTORIES

(€ thousands)	BALANCE AT 12/31/2019			BALANCE AT 12/31/2018 [(*)]		
	Cost	Obsolescence provision	Net	Cost	Obsolescence provision	Net
Goods	71,107	(6,515)	64,592	65,451	(3,738)	61,713
Total	**71,107**	**(6,515)**	**64,592**	**65,451**	**(3,738)**	**61,713**

[(*)] 2018 Balance Sheet has been revised for the allocation of the GAES acquisition price, see note 4.

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

(€ thousands)	
Balance at 12/31/2018	**(3,738)**
Provision	(5,893)
Utilization	3,194
Business combination	(46)
Translation differences and other movements	(32)
Balance at 12/31/2019	**(6,515)**

12 TRADE RECEIVABLES

Trade receivables are detailed in the following table:

(€ thousands)	Balance at 12/31/2019	Balance at 12/31/2018	Change
Trade receivables	205,107	168,991	36,116
Trade receivables - Subsidiaries	(9)	165	(174)
Trade receivables - Parent company	117	296	(179)
Trade receivables - Associated companies and joint ventures	4	2	2
Total trade receivables	**205,219**	**169,454**	**35,765**

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

(€ thousands)	Balance at 12/31/2019	Balance at 12/31/2018	Change
Trade receivables	222,910	187,113	35,797
Sales returns liabilities	(5,266)	(7,699)	2,433
Allowance for doubtful accounts	(12,537)	(10,423)	(2,114)
Total	**205,107**	**168,991**	**36,116**

All receivables have payment terms around 30 days and there is no significant credit risk concentration.

€217,893 thousand of the trade receivables are held as part of a "hold to collect" business model based on which contractual cash flows are collected at maturity and €5,129 thousand are held as part of a "hold to collect and sell" business model based on which contractual cash flows are collected at maturity or through a sale.

The liabilities for sales returns, with the exception of the return of sales made through the indirect channel, were reclassified under "Other payables" (note 25) for the sake of better representation in the consolidated financial statements.

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

(€ thousands)	
Balance at 12/31/2018	**(10,423)**
Provisions	(5,521)
Reversals	1,043
Utilization for charges	2,693
Business combinations	(255)
Translation differences and other net changes	(74)
Balance at 12/31/2019	**(12,537)**

The face value of the factoring without recourse transactions carried out in the year amounted to €75,222 thousand (compared to €69,562 thousand in the prior year) and relate to receivables generated in the year and, therefore, did not have a significant impact on working capital compared with the prior year.
In compliance with the mandatory disclosure requirements in Italy as per Law no. 124 of 4/8/17 n. 124, please note that in 2019 Amplifon S.p.A. received a total of €56,047 thousand (as shown in 52,177 documents) from public entities, of which €49,039 thousand (as shown in 49,479 documents) through financial operators, and €7,008 thousand (as shown in 2,698 documents) through direct deposits.

13 CONTRACT COSTS

(€ thousands)	Balance at 12/31/2019	Balance at 12/31/2018	Change
Contract costs – Short-term	4,386	3,853	533
Contract costs – Long-term	7,339	5,594	1,745
Total	**11,725**	**9,447**	**2,278**

The contract costs, of €11,725 thousand, refer to the costs incurred to obtain or fulfil contracts capitalized in accordance with IFRS 15. These typically include commissions and bonuses paid to employees and agents for each sale made. These are deferred and recognized in the income statement based on the level to which the different contractual performance obligations have been satisfied.

The significant changes in the contract cost balances are shown below:

(€ thousands)	
Net value at 12/31/2018	**9,447**
Increase linked to customer contracts and reversals	2,263
Business combinations	(17)
Translation differences and other net changes	32
Net value at 12/31/2019	**11,725**

The impact of the contract costs on the income statement for the next five years is shown below:

Description	2020	2021	2022	2023	2024 and beyond
Contract costs	4,386	3,624	2,322	1,130	263

14 OTHER RECEIVABLES

(€ thousands)	Balance at 12/31/2019	Balance at 12/31/2018 (*)	Change
Tax receivables	26,785	26,310	475
Other receivables	21,569	21,082	487
Non-financial prepayments and accrued income	23,199	25,988	(2,789)
Total	**71,553**	**73,380**	**(1,827)**

(*) 2018 Balance Sheet has been revised for the allocation of the GAES acquisition price, see note 4.

Tax receivables
Tax receivables include €15,682 thousand held based on a hold-to-collect business model (cash flows collected at maturity), €11,103 thousand based on a hold-to-collect and sell business model (cash flows collected at maturity or through a sale).

Tax receivables amounted to €26,785 thousand and include:
- €17,161 thousand in VAT and other indirect tax credits. Factoring without recourse of VAT credits amounted to €29,845 thousand with net proceeds reaching €29,600 thousand (respectively €24,266 thousand and €24,072 thousand at 31 December 2018);
- €7,570 thousand in tax advances.

Other receivables
Other receivables are held with a view to collecting the contractual cash flows at maturity.

Non-financial prepayments and accrued income
This item includes:
- Deferred income, amounting to €10,614 thousand, for services that will be rendered in the future or for which revenue recognition is deferred (mainly post sales services) relating primarily to agents in Italy;
- Other services amounting to €4,416 thousand;
- Advertising expenses of €959 thousand;
- Insurance premiums of €521 thousand.

15 CASH AND CASH EQUIVALENTS

(€ thousands)	Balance at 12/31/2019	Balance at 12/31/2018	Change
Bank current accounts	133,011	84,480	48,531
Short-term bank deposits	-	300	(300)
Funds	3,642	3,662	(20)
Cash on hand	1,718	1,473	245
Total	**138,371**	**89,915**	**48,456**

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

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

(€ thousands)			RATING S&P SHORT-TERM					
	Balance at 12/31/2019		A-1+	A-1	A-2	A-3	B	Other (*)
Non-current assets								
Hedging instruments – long-term	8,153	**Note 10**			8,153			
Current assets								
Hedging instruments – short-term	2,201				2,201			
Bank current accounts, short-term bank deposits and funds	136,653	**Note 15**	18,491	45,096	54,107	982	3,350	14,627
Cash on hand	1,718							

(*) Other financial assets are primarily representative of investments in time deposits with unrated counterparties but that amply meet the minimum capital requirements set by ECB, 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.

16 SHARE CAPITAL

At 31 December 2019 the share capital comprised 226,388,620 ordinary shares with a nominal value of €0.02 fully paid up and subscribed.
The share capital at 31 December 2018 comprised 226,353,620 shares. The increase recorded in the period is due to the exercise of 35,000 stock options, equivalent to 0.015% of the share capital.

On 7 May 2019, the Board of Directors resolved to assign, as recommended by the Remuneration and Appointments Committee, pursuant to art. 84 bis, paragraph 5 of CONSOB Regulation n. 11971/99, as amended, the first cycle (for the period 2019-2012) of the Stock Grant Plan 2019-2025 which calls for the assignment of 620,000 shares per target.

A total of 2,446,658 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.

No treasury shares were purchased during the year.

At 31 December 2019 the treasury shares held amounted to 3,269,087 or 1.444% of the Company's share capital.

Information relating to the treasury shares held is shown below.

	N. of shares	Average purchase price (Euro) FV of transferred rights (Euro)	Total amount (€ thousands)
Held at 12/31/2018	**5,715,745**	**8.911**	**50,933**
Purchases	-	-	-
Transfers due to exercise of performance stock grants	(2,446,658)	8.911	(21,802)
Held at 12/31/2019	**3,269,087**	**8.911**	**29,131**

17 NET FINANCIAL POSITION

In accordance with the requirements of the Consob communication dated July 28th, 2006 and in compliance with the CESR (now ESMA) Recommendation of February 10th, 2005 "Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses", the Group's net financial position at December 31st, 2019 was as follows:

(€ thousands)	12/31/2019	12/31/2018	Change
Cash and cash equivalents	(138,371)	(89,915)	(48,456)
Private placement 2013-2025	17,803	-	17,803
Payables for business acquisitions	10,245	12,643	(2,398)
Bank overdraft and other short-term loans from third parties (including current portion of medium/long-term debt)	141,032	34,852	106,180
Other net financial payables	5,594	5,530	64
Hedging derivatives	(2,253)	58	(2,311)
Short-term financial position	**34,050**	**(36,832)**	**70,882**
Private placement 2013-2025	97,917	113,537	(15,620)
Finance lease obligations	-	385	(385)
Other medium/long-term debt	653,751	760,275	(106,524)
Hedging derivatives	(12,547)	(12,645)	98
Medium/long-term acquisition payables	13,527	16,136	(2,609)
Net medium and long-term financial position	**752,648**	**877,688**	**(125,040)**
Net financial position	**786,698**	**840,856**	**(54,158)**
Lease liabilities – current portion	81,585	-	81,585
Lease liabilities – non-current portion	343,040	-	343,040
Lease liabilities (*)	**424,625**	**-**	**424,625**
Total lease liabilities & net financial debt	**1,211,323**	**840,856**	**370,467**

(*) IFRS 16 was applied using the modified retrospective approach, the company recognized at 1st January 2019 a lease liability without calculating any restatement of 2018 figures.

As at 31st December 2019 the net financial indebtedness including lease liabilities amounted to €1,211,323 thousand. The increase (among other things) is mainly due to the recognition of lease liabilities for €424,625 thousand as prescribed by the IFRS 16. This new principle has been applied using the modified retrospective approach which does not require any restatement of comparative figures.

The **medium/long-term portion of the net financial position** excluding the lease liabilities, reached €752,648 thousand at December 31st, 2019 compared to €877,688 thousand at December 31st, 2018, a difference of €125,040 thousand. The decrease of the period is mainly attributable to the substitution of revolving long-term credit lines, totaling €60 million, with hot money at a better rate (included in short-term debt) and the reclassification of a portion of the syndicated loan used to finance the GAES acquisition as short-term debt, along with a portion of the private placement and other long-term borrowings.

The **short-term portion of the net financial position,** excluding the lease liabilities, went from a positive €36,882 thousand at 31 December 2018 to a negative €34,050 at 31 December 2019, a difference of €70,882 thousand. The short-term portion includes mainly hot money of €90,000 thousand, the short-term portion of the syndicated loan of €39,750 thousand, the short-term portion of the private placement (€17,803 thousand), the short-term portion of other long-term bank loans (€6,666 thousand), interest payable on bank loans and the private placement (€2,389 thousand), the best estimate of the deferred payments for acquisitions (€10,245 thousand) and cash and cash equivalents of €138,371 thousand.

In order to reconcile the above items with the statutory statement of the financial position, details are provided as follows.

Bank loans and the private placement 2013-2025 are shown in the statutory statement of financial position:

a. under the item "medium/long-term financial liabilities" described in the section 18 of the explanatory notes for the long-term portion.

(€ thousands)	Balance at 12/31/2019
Private placement 2013-2025	97,917
Syndicated loan for GAES acquisition	463,750
Other medium/long-term bank loans	190,001
Fees for bank loans, private placement 2013-2025 and Syndicated loan for GAES acquisition	(949)
Medium/long-term financial liabilities	**750,719**

b. under the item "financial payables (current)", described in the section 28 of the explanatory notes for the current portion.

(€ thousands)	Balance at 12/31/2019
Bank overdraft and other short-term debt (including current portion of other long-term debt)	141,032
Private placement 2013-2025	17,803
Other financial payables	5,775
Fees for bank loans, private placement 2013-2025 and Syndicated loan for GAES acquisition	(663)
Short-term financial liabilities	**163,947**

All the other items in the net financial position table can be easily referred to in the financial consolidated statements.

18 FINANCIAL LIABILITIES

Long-term financial liabilities breakdown is as follows:

(€ thousands)	Balance at 12/31/2019	Balance at 12/31/2018	Change
Private placement 2013-2025	97,917	113,537	(15,620)
Syndicated loan for GAES acquisition	463,750	503,500	(39,750)
Other medium long-term bank loans	190,001	256,775	(66,774)
Fees for bank loans, private placement 2013-2025 and syndicated loan for GAES acquisition	(949)	(1,528)	579
Finance lease liabilities	-	385	(385)
Total medium/long-term financial liabilities	**750,719**	**872,669**	**(121,950)**
Short term debt	163,947	38,115	125,832
- of which current portion for the financing for GAES acquisition	*39,750*	*26,500*	*13,250*
- of which current portion for the private placement 2013-2025	*17,803*	-	*17,803*
- of which current portion of other short-term bank loans	*6,666*	*3,538*	*3,128*
- of which fees for bank loans, private placement 2013-2025 and syndicated loan for GAES acquisition	*(663)*	*(2,268)*	*1,605*
- of which current-portion of lease liabilities	-	*837*	*(837)*
Total short-term financial liabilities	**163,947**	**38,115**	**125,832**
Total financial liabilities	**914,666**	**910,784**	**3,882**

The main financial liabilities are detailed below.

Syndicated loan for the GAES acquisition

An unsecured syndicated bank loan negotiated with five top-tier banks for the acquisition of GAES comprised of two tranches:

- a 5-year amortizing loan of €265 million (Facility A);
- a €265 million 18-month bullet loan (Facility B) with an option to extend it to 5 years which may be exercised at Amplifon's discretion before the expiration date, in order to ensure both the certainty of long-term financing and the flexibility to refinance through debt capital market issues or other forms of financing.

Issue Date	Debtor	Maturity	Face Value (€/000)	*Fair Value (€/000)*	Nominal interest rate (*)	Interest rate after the hedging (**)
12/18/2018	Amplifon S.p.A.	09/28/2023	265,000	221,115	0.925%	1.382%
12/18/2018	Amplifon S.p.A.	03/28/2020 extendable to 09/28/2023	265,000	276,625	0.96%	N/A
	Total in Euro		**530,000**	**497,740**		

(*) The nominal interest rate is equal to Euribor plus a spread.
(**) The variable Euribor rate of the first tranche was swapped to a fixed rate of 0.132% as of 18 June 2019.
The spread applied to Facility A depends on the Group's net debt/EBITDA ratio while for Facility B the spread is 0.8% for the first six months, 1.0% for the second 6 months and 1.35% for the last 6 months.

The following table shows the applicable rates depending on the ratio of net financial position over Group EBITDA:

Ratio between net financial position and Group EBITDA	Facility A	Facility B
Higher than 2.85x	1.65%	1,85%
Less or equal than 2.84x but higher than 2.44x	1.45%	1.65%
Less or equal than 2.44x but higher than 2.04x	1.25%	1.45%
Less or equal than 2.04x but higher than 1.63x	1.10%	1.30%
Less or equal than 1.63x	0.95%	1.15%

The margin at 12.31.2019 is equal to 1.25% for the Facility and to 1.35% for the Facility B.

Private placement 2013-2025

It is a USD 130 million private placement made in the US by Amplifon USA and guaranteed by Amplifon S.p.A. and other Group subsidiaries.

Issue Date	Issuer	Maturity	Currency	Face Value (€/000)	Face Value (€/000)	Nominal interest rate (*)	Euro interest rate after hedging (**)
05/30/2013	Amplifon USA	07/31/2020	USD	7,000	7,196	3.85%	3.39%
05/30/2013	Amplifon USA	07/31/2023	USD	8,000	8,921	4.46%	3.90%
07/31/2013	Amplifon USA	07/31/2020	USD	13,000	13,370	3.90%	3.42%
07/31/2013	Amplifon USA	07/31/2023	USD	52,000	58,087	4.51%	3.90%-3.94%
07/31/2013	Amplifon USA	07/31/2025	USD	50,000	59,072	4.66%	4.00%-4.05%
	Total			**130,000**	**146,646**		

(*) Refers to the coupon rate of the issue.
In the first six months of 2019 the Group's net debt/EBITDA ratio was between 2.64 and 2.24 following the acquisition of GAES which resulted in the application of a step-up of 0.25% on each tranche. In the second half of 2019 the net debt/EBITDA ratio improved, and the rate dropped back to the previous level in the second half of 2019.
(**) 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.

Bank loans

4 medium/long-term unsecured bank loans totaling €200 million as shown in the following table.

Issue Date	Issuer	Maturity	Currency	Face Value (€/000)	Face Value (€/000)	Nominal interest rate (*)	Euro interest rate after hedging (**)
09/28/2017	Amplifon S.p.A.	Bullet financing	09/28/2021	100,000	100,921	0.413%	0.987%
10/24/2017	Amplifon S.p.A.	Amortizing financing	10/31/2022	50,000	50,859	0.850%	1.329%
03/23/2018	Amplifon S.p.A.	Bullet financing	03/22/2022	30,000	30,390	0.369%	1.00%
01/11/2018	Amplifon S.p.A.	Amortizing financing	01/11/2022	20,000	16,896	0.70%	1.04%
	Total in Euro			**200,000**			

(*) The nominal interest rate shown for the fixed rate loans comprises the fixed rate plus the applicable spread.
(**) All the loans shown were converted to fixed rate using Interest Rate Swaps.

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

Debtor / Repayments	Nominal amount and maturity date	Average rate 2019/360	Amount at 12/31/2018	Exchange rate effect	Repayments as at 12/31/2019	New loans	Business Combination	Balance at 12/31/2019	Short-term portion	Medium and long-term portion
Private placement 2013-2025 Amplifon USA (*)	**USD 7,000**	3.85%	**6,113**	118				**6,231**	**6,231**	-
Installments at 01/31 and 07/31 from 01/31/2014	07/31/2020									
Private placement 2013-2025 Amplifon USA (*)	**USD 8,000**	4.46%	**6,987**	134				**7,121**	-	**7,121**
Installments at 01/31 and 07/31 from 01/31/2014	07/31/2023									
Private placement 2013-2025 Amplifon USA (*)	**USD 13,000**	3.90%	**11,354**	218				**11,572**	**11,572**	-
Installments at 01/31 and 07/31 from 01/31/2014	07/31/2020									
Private placement 2013-2025 Amplifon USA (*)	**USD 52,000**	4.51%	**45,415**	873				**46,288**	-	**46,288**
Installments at 01/31 and 07/31 from 01/31/2014	07/31/2023									
Private placement 2013-2025 Amplifon USA (*)	**USD 50,000**	4.66%	**43,668**	840				**44,508**	-	**44,508**
Installments at 01/31 and 07/31 from 01/31/2014	07/31/2025									
Private placement 2013-2025 Amplifon USA (*)	**EUR 30,000**	0.70%	**30,000**		(30,000)			**-**	-	-
Installments at 01/31 and 07/31 from 01/31/2014	07/31/2025									
Banca Popolare di Sondrio 2016-2021 Amplifon SpA	**EUR 30,000**	0.70%	**30,000**		(30,000)			**-**	-	-
LT Revolving Credit Facility	12/22/2021									
Banca Popolare di Milano 2016-2021 Amplifon SpA	**EUR 30,000**	0.75%	**30,000**		(30,000)			**-**	-	-
LT Revolving Credit Facility	12/21/2021									
Unicredit Facility A amortizing Expiring 09/28/2023 Amplifon SpA	**EUR 265,000**	1.06%	**265,000**		(26,500)			**238,500**	**39,750**	**198,750**
Euribor 6m + margin grid Installments every 6 months from 06/18/2019	09/28/2023									
Unicredit Facility B bullet Expiring 03/28/2020 extendable to 09/28/2023	**EUR 265,000**	0.96%	**265,000**					**265,000**		**265,000**
Euribor 6m + margin grid	09/28/2023									
Unicredit bullet Expiring 09/28/2021 Amplifon SpA	**EUR 100,000**	0.99%	**100,000**					**100,000**	-	**100,000**
Euribor 6m +0.80%	09/28/2021									
Mediobanca bullet Expiring 03/22/2022 Amplifon SpA	**EUR 30,000**	1.00%	**30,000**					**30,000**	-	**30,000**
Euribor 6m +0.70%	03/22/2022									
HSBC amortizing Expiring 01/11/2022 Amplifon SpA	**EUR 20,000**	1.04%	**20,000**		(3,333)			**16,667**	**6,666**	**10,001**
Euribor 6m +0.70% Installments every 6 months from 07/11/2019	03/22/2022									
BPM amortizing Expiring 10/31/2022 Amplifon SpA	**EUR 50,000**	1.33%	**50,000**					**50,000**	-	**50,000**
euribor 6m +0.85% Installments every 6 months from 04/30/2021	10/31/2022									
Total long-term debt			**903,537**	**2,183**	**(89,833)**	**-**	**-**	**815,887**	**64,219**	**751,668**
Other			**313**		**(313)**					
Total			**903,850**	**2,183**	**(90,146)**	**-**	**-**	**815,887**	**64,219**	**751,668**

(*) Considering the effect of the interest rate and currency hedges disclosed above, the total Euro equivalent of the private placement 2013-2025 is €100,892 thousand.

The following table shows the maturities of financial debt at December 31st, 2019 based on the contractual obligations.

(€ thousands)	Private placement 2013-2025 (*)	Syndicated loan for the GAES acquisition	Bank loans	Total
2020	15,522	39,750	6,666	61,938
2021		39,750	131,666	171,416
2022		79,500	58,335	137,835
2023	46,566	344,500		391,066
2025	38,804			38,804
Total	**100,892**	**503,500**	**196,667**	**801,059**

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

The following loans:

- 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);
- the EUR 196.7 million medium/long-term loans with top-tier banking institutions;
- the EUR 195 million in irrevocable credit lines with top-tier banking institutions

are subject to the covenants listed below:

- the ratio of Group net financial indebtedness to Group shareholders' equity must not exceed 1.65;
- the ratio of net financial indebtedness to EBITDA recorded in the last four quarters (determined based solely on recurring business and restated if the Group's structure should change significantly) must not exceed 2.85.

In the event of relevant acquisitions, the above ratios may be increased to 2.20 and 3.26, respectively, for a period of not more than 12 months, twice over the life of the respective loans.

The syndicated €530 million loan granted for the GAES acquisition is subject to the following covenants:

- the ratio of net financial indebtedness to EBITDA recorded in the last four quarters (determined excluding the fair value of the share-based payments and based solely on recurring business and restated if the Group's structure should change significantly) must not exceed 2.85;
- the ratio of EBITDA recorded in the last four quarters (determined excluding the fair value of the share-based payments and based solely on recurring business and restated if the Group's structure should change significantly) and net interest paid in the last 4 quarters must exceed 4.9. As this last covenant was granted in favor of the lender, it is also applied to the private placement.

The above covenants were redefined with the banks and the investors in the first part of 2019 following the introduction of the accounting standards IFRS 15, IFRS 9 and IFRS 16 which resulted in significant adjustments being made to the Group's financial statements. In this way the covenants provide Amplifon with the same headroom as before, based on the prior accounting standards, and the lenders and investors with the same amount of protection.

As at December 31st, 2019 these ratios were as follows:

	Value as at 12/31/2019
Net financial indebtedness/Group net equity	1.13
Net financial position/EBITDA for the last 4 quarters	1.90
EBITDA for the last 4 quarters/Net financial expenses	28.81

The above-mentioned ratios were determined based on an EBITDA which was restated, in order to reflect the main changes in the Group structure.

(€ thousands)	Value as at 12/31/2019
Group EBITDA 2019	370,590
Fair value of stock grant assignment	16,495
EBITDA normalized (from acquisitions and disposals)	3,189
Acquisitions and non-recurring costs	23,763
EBITDA for the covenant calculation	414,037

The same agreements are also subject to other covenants applied in current international practice which limit the ability to issue guarantees and complete sales and lease backs, as well as extraordinary transactions involving the sale of assets.

As at December 31st, 2019 based on the management expectations (3-year plan 2020-2022 submitted to the Board of Directors on 17 December 2019), there are not foreseeable circumstances for which covenants cannot be fulfilled.

The following table show the financial liabilities according to the accounting treatment applied:

(€ thousands)	12/31/2019		
	Amortized cost	Fair value Net Equity	Fair Value through P&L
Total non-current financial liabilities	750,719		
Total current financial liabilities	163,947		

(€ thousands)	12/31/2018		
	Amortized cost	Fair value Net Equity	Fair Value through P&L
Total non-current financial liabilities	872,669		
Total current financial liabilities	38,115		

19 LEASE LIABILITIES

The lease liabilities stem from long-term leases and rental agreements. These liabilities are equal to the present value of future installments payable over the lease term.

The liabilities for finance leases are shown in the statement of financial position as follows:

(€ thousands)	12/31/2019	First time adoption IFRS 16 at 01/01/2019
Short term lease liabilities	81,585	71,689
Long term lease liabilities	343,040	368,117
Total lease liabilities	**424,625**	**439,806**

The following charges were recognized in the income statement during the reporting period:

(€ thousands)	31/12/2019
Interest charges on leased assets	11,357
Right-of-use depreciation	88,047
Costs for short-term leases and leases for low value assets	11,295

The maturities of the Group's lease liabilities based on undiscounted contractual payments are summarized below:

Description	< 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	> 5 years
Undiscounted lease liabilities	87,334	77,175	64,869	54,599	44,383	130,250

The maturities of the Group's lease liabilities based on discounted contractual payments are summarized below:

Description	< 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	> 5 years
Lease liabilities	81,585	68,662	59,002	48,897	40,014	126,465

20 PROVISIONS FOR RISKS AND CHARGES (MEDIUM/LONG-TERM)

(€ thousands)	12/31/2019	12/31/2018 (*)	Change
Product warranty provision	2,334	2,046	288
Contractual risk provision	2,827	2,614	213
Agents' leaving indemnity	44,786	38,528	6,258
Other risk provisions	343	6,431	(6,088)
Total	**50,290**	**49,619**	**671**

(€ thousands)	Net value as at 12/31/2018 (*)	Provision	Reversals	Utilization	Other net changes	Translation differences	Change in the consolidation area	Net value at 12/31/2019
Product warranty provision	2,046	1,031	(906)	(17)	185	(5)	-	2,334
Contractual risk provision	2,614	949	(456)	(308)	-	-	28	2,827
Agents' leaving indemnity	38,528	1,992	(917)	-	4,675	508	-	44,786
Other risk provisions	6,431	156	(1,427)	(492)	(4,330)	5	-	343
Total	**49,619**	**4,128**	**(3,706)**	**(817)**	**530**	**508**	**28**	**50,290**

(*) 2018 Balance Sheet has been revised for the allocation of the GAES acquisition price, see note 4.

The "Agents' leaving indemnity" comprises the agents' leaving indemnity provision recognized in Amplifon S.p.A.'s financial statements amounting to €12,284 thousand and equivalent provisions in the US and Belgian subsidiaries amounting to €32,286 thousand and €216 thousand, respectively.

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

	FY 2019
Economic assumptions	
Annual discount rate	0.37%
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

21 LIABILITIES FOR EMPLOYEES' BENEFITS (MEDIUM/LONG-TERM)

(€ thousands)	Balance at 12/31/2019	Balance at 12/31/2019	Change
Defined-benefit plans	23,804	18,397	5,407
Other defined-benefit plans	1,008	1,855	(847)
Other provisions for personnel	469	38	431
Total	**25,281**	**20,290**	**4,991**

Provisions for defined-benefit plans mainly include the severance pay potentially owed by the Italian companies, as well as severance owed by the Swiss, French and Belgium 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:

	FY 2019
Net present value of the liability at the beginning of the year	**18,397**
Current service cost	629
Financial charges	199
Business combinations	9
Actuarial losses (gains)	4,467
Amounts paid	(385)
Translation differences	488
Net present value of the liability at the end of the year	**23,804**

The current cost of severance indemnity is recognized under personnel expenses in the consolidated financial statements, while actuarial gains and losses are recognized in the statement of comprehensive income statement.

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

FY 2019

	Italy	France	Switzerland	Belgium
Economic assumptions				
Annual discount rate	0.37%	1.00%	0.15%	1.25%
Expected annual inflation rate	1.20%	0.50%	1.00%	1.70%
Annual rate of increase of severance indemnity	2.40%	2.00%	2.00%	N/A
Demographic assumptions				
Mortality rate	RG48 mortality tables published by the General Accounting Office of the State	INSEE TD-TV 13-15 tables	BVG 2015 GT tables	MR -5/FR -5
Disability percentage	INPS tables divided by age and sex	N/A	BVG 2015 GT tables	N/A
Retirement age	100% on meeting the requirements for compulsory national social insurance	62 years	100% on meeting the age requirements (65m/64f)	65 years

FY 2018

	Italy	France	Switzerland
Economic assumptions			
Annual discount rate	1.13%	1.50%	0.95%
Expected annual inflation rate	1.50%	1.50%	1.00%
Annual rate of increase of severance indemnity	2.63%	2.00%	2.00%
Demographic assumptions			
Mortality rate	RG48 mortality tables published by the General Accounting Office of the State	INSEE TD-TV 13-15 tables	BVG 2015 GT tables
Disability percentage	INPS tables divided by age and sex	N/A	BVG 2015 GT tables
Retirement age	100% on meeting the requirements for compulsory national social insurance	62 years	100% on meeting the age requirements (65m/64f)

Provisions for other benefits are explained primarily by the Australian subsidiaries (€1,008 thousand) which have an obligation for those benefits that are recognized when a given job seniority is reached.

22 OTHER LONG-TERM LIABILITIES

(€ thousands)	12/31/2019	12/31/2018	Change
Payables for business acquisitions	13,527	16,136	(2,609)
Other long-term debt	8,649	7,411	1,238
Total	**22,176**	**23,547**	**(1,371)**

Acquisition liabilities include the estimate of the contingent consideration (earn-out) to be paid long-term on acquisitions of companies and business units made mainly in Canada, France and Germany if certain sales and/or profit targets are reached and the put and call option valued at fair value regarding the purchase of the minority stake in Cohesion Hearing Science & Technology Co (China). This instrument is classified under class 3 of the fair value hierarchy.

Other long-term debt includes primarily the liabilities of reinsurance companies on lost & damage policies.

The following tables show the long-term liabilities according to the accounting treatment applied:

12/31/2019

(€ thousands)	Amortized cost	Fair value Net Equity	Fair Value through P&L
Payables for business acquisitions		12,287	1,240
Other long-term debt	8,649		

12/31/2018

(€ thousands)	Amortized cost	Fair value Net Equity	Fair Value through P&L
Payable for business acquisition		12,502	3,634
Other long-term debt	7,411		

23 TRADE PAYABLES

(€ thousands)	12/31/2019	12/31/2018 (*)	Change
Trade payables – Associated companies	4	3	1
Trade payables – Joint ventures	724	147	577
Trade payables – Related parties	497	1,595	(1,098)
Trade payables –Third parties	176,165	171,355	4,810
Total	**177,390**	**173,100**	**4,290**

(*) The 2018 amounts have been revised for the allocation of the GAES acquisition price, see note 4.

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

24 CONTRACT LIABILITIES

(€ thousands)	12/31/2019	12/31/2018	Change
Contract liabilities – Short-term	97,725	93,692	4,033
Contract liabilities – Long-term	135,052	118,791	16,261
Total	**232,777**	**212,483**	**20,294**

The contract liabilities refer to deferred income for goods and services provided to customers over time (after sales services, extended warranties, material rights, batteries). These are recognized in the income statement based on the level to which the different contractual performance obligations have been satisfied.

The changes in contract liabilities in the year are shown below:

(€ thousands)	
Net value at 12/31/2018	**212,483**
Increase linked to customer contracts	95,908
Revenues included in the opening balance	(84,866)
Business combinations	8,615
Business divestitures	(393)
Currency translation differences and other net changes	1,030
Net value at 12/31/2019	**232,777**

The revenue recognized in 2019 stemming from fulfilled contractual obligations, included in the opening balance of contract liabilities at January 1st, 2019, amounted to €84,866 thousand.

More in detail, the contract liabilities that should be extinguished, resulting in the recognition of the revenue allocated, over the next 5 years are shown below:

Description	2020	2021	2022	2023	2024 and beyond
Contract liabilities	98,508	66,281	39,734	20,959	7,295

For a description of the performance obligations relating to goods and services provided over time please refer to note 30.

25 OTHER PAYABLES

(€ thousands)	12/31/2019	12/31/2018 (*)	Change
Other payables	134,791	112,333	22,458
Accrued expenses and deferred income	7,816	5,989	1,827
Sales returns - liability	3,616	-	3,616
Total other payables	**146,223**	**118,322**	**27,901**
Tax payables	40,334	32,496	7,838
Payables for business acquisitions	10,245	12,643	(2,398)
Total	**196,802**	**163,461**	**33,341**

(*) The 2018 amounts have been revised for the allocation of the GAES acquisition price, see note 4.

The other payables mainly comprise: (i) €4,009 thousand relating to customer down-payments; (ii) €24,581 thousand relating to social security liabilities; (iii) €60,140 thousand relating to amounts owed personnel; and (iv) €24,338 thousand relating to commissions and bonuses payable to agents.

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 relating to acquisitions made in Germany, France, Belgium, Canada, Israel and Spain (various acquisitions of companies and business units) and to the put and call option valued at fair value regarding the purchase of the minority stake in Medtechnica Ortophone Ltd (Israel) and Otohub Srl (Italia). This instrument is classified under level 3 of the fair value hierarchy.

Tax payables include mainly: (i) €24,532 thousand in direct taxes; (ii) €7,617 thousand in withholding taxes; (iii) €7,990 thousand in VAT and other indirect taxes.

The provision for sales returns represents the best estimate of the liabilities for sales returns made through the direct channel reclassified for the sake of better representation. Previously the item was classified under adjustments to trade receivables (note 12).

The following table show other payables according to the accounting treatment applied:

12/31/2019

(€ thousands)	Amortized cost	Fair value Net Equity	Fair Value through P&L
Other debts	186,557		
Payables for business acquisitions		4,223	6,022

12/31/2018

(€ thousands)	Amortized cost	Fair value Net Equity	Fair Value through P&L
Other debts	150,818		
Payables for business acquisitions		3,016	9,627

26 PROVISIONS FOR RISKS AND CHARGES (CURRENT PORTION)

(€ thousands)	12/31/2019	12/31/2018 (*)	Change
Other provisions for risks	4,242	4,916	(674)
Total	**4,242**	**4,916**	**(674)**

(*) The 2018 amounts have been revised for the allocation of the GAES acquisition price, see note 4.

The other provisions for risks include mainly the liabilities of reinsurance companies on lost & damage policies and the costs allocated for restoring premises to the original condition when leases expire.

27 LIABILITIES FOR EMPLOYEES' BENEFITS (CURRENT PORTION)

(€ thousands)	12/31/2019	12/31/2018	Change
Other provisions for risks – current portion	545	476	69
Total	**545**	**476**	**69**

The amount refers to the current portion of liabilities for the employee benefits described in note 21.

28 SHORT-TERM FINANCIAL DEBT

(€ thousands)	12/31/2019	12/31/2018	Change
Bank current accounts	*2,847*	*981*	*1,866*
Short-term bank borrowings	*91,714*	*3,771*	*87,943*
Current portion of long-term debts	*64,218*	*30,122*	*34,096*
Current portion of debts vs. other institutions	*3,385*	*2,104*	*1,281*
Current portion of finance lease liabilities	-	*837*	*(837)*
Payables to banks and other financing	162,164	37,815	124,349
Current portion of fees on loans	(663)	(2,268)	1,605
Short-term financial debt	56	10	46
Financial accrued expenses and deferred income	2,390	2,558	(168)
Total	**163,947**	**38,115**	**125,832**

For the current portion of medium and long-term loans refer to the note 18.

Accrued expenses and deferred income of €2,390 thousand relate primarily to the interest owed on the 2013-2025 private placement (€2,048 thousand) and other medium/long-term loans.

29 DEFERRED TAX ASSETS AND LIABILITIES

The net balance of deferred tax assets and liabilities at 31 December 2019 can be broken down as follows:

(€ thousands)	12/31/2019	12/31/2018 (*)	Change
Deferred tax assets	81,427	75,204	6,223
Deferred tax liabilities	(102,111)	(98,932)	(3,179)
Net position	**(20,684)**	**(23,728)**	**3,044**

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

(€ thousands)	Balance as at 12/31/2018 (*)	Recognized in P&L	Recognized in net equity	Businesses combinations and changes in consolidation area	Exchange differences and other changes	Balance as at 12/31/2019
Deferred tax on severance indemnity and pension funds	3,759	(347)	542	(27)	605	4,532
Deferred tax on tax losses carried forward	10,547	239	-	-	227	11,013
Deferred tax on inventory	944	(383)	-	-	(2)	559
Deferred tax on tangibles, intangibles and goodwill	(20,313)	(4,110)	-	2,234	(387)	(22,576)
Deferred tax on trademarks and concessions	(58,813)	6,973	-	(6,010)	(129)	(57,979)
Deferred tax on other provisions	7,662	1,232	-	92	(67)	8,919
Deferred tax on contract liabilities and contract costs	23,660	(3,264)	-	393	(39)	20,750
Deferred tax on leasing	211	1,286	-	-	87	1,584
Other deferred tax	8,615	4,090	(569)	6	372	12,514
Total	**(23,728)**	**5,716**	**(27)**	**(3,312)**	**667**	**(20,684)**

(*) The 2018 amounts have been revised for the allocation of the GAES acquisition price, see note 4.

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

(€ thousands)	12/31/2019	12/31/2018	Change
Germany	7,288	9,138	(1,850)
Israel	87	141	(54)
Spain	3,638	1,268	2,370
Total	**11,013**	**10,547**	**466**

As at December 31st, 2019 the following prior year fiscal losses did not originate deferred tax assets:

Description	Prior year tax losses	Rate	Deferred tax assets not recognized in the consolidated financial statements	Due date
Canada	13,515	26.5%	3,580	13-20 years
Colombia	2,769	33.0%	914	8-12 years
Germany	1,179	30.0%	354	None
India	12,702	25.2%	3,197	1-8 years
Ireland	987	12.5%	123	None
Luxembourg	15	26.0%	4	17 years
Mexico	1,065	30.0%	320	8-10 years
Panama	195	25.0%	49	1-5 years
Poland	3,704	19.0%	704	2-8 years
Portugal	8,989	21.0%	1,888	3-9 years
UK	69,470	17.0%	11,810	None
Total	**114,590**		**22,943**	

30 REVENUES FROM SALES AND SERVICES

The following table shows the Group revenues details.

(€ thousands)	FY 2019	FY 2018	Change
Revenues from sale of products	1,536,153	1,199,226	336,927
Revenues from services	195,910	163,008	32,902
Total revenues from sales and services	**1,732,063**	**1,362,234**	**369,829**
Goods and services provided at a point in time	1,536,153	1,199,226	336,927
Goods and services provided over time	195,910	163,008	32,902
Total revenues from sales and services	**1,732,063**	**1,362,234**	**369,829**

Consolidated revenues from sales and services amounted to €1,732,063 thousand in 2019, an increase of €369,829 thousand (+27.1%) against the comparative period thanks to the solid performances reported in all the geographic segments in which the Group operates. This result reflects the significant contribution of acquisitions (particularly GAES, consolidated beginning 1 January 2019) of €263,173 thousand (+19.3%), net of the disposal of Direito de Ouvir Amplifon Brasil SA finalized at the beginning of second quarter 2018 and of Makstone (Turkey) in the fourth quarter of 2019, and the above market organic growth which, including the contribution of the newly opened stores, amounted to €92,445 thousand (+6.8%). The exchange rate differences had a positive impact of €14,211 thousand (+1.0%) attributable primarily to the strengthening of the USD against the Euro.

For the revenues by geographical segment breakdown refer to the note 44 Segment Information.

The main goods and services provided by the Amplifon Group, as well as the nature and terms for fulfillment of the performance obligations, are described below.

Goods and services	Nature and fulfillment terms
Hearing aid and fitting	Part of a single and inseparable performance obligation, comprised of the hearing aid, fitting and personalization of the solution using computerized systems to satisfy each person's needs. The Group recognized the relative revenue when the fitting has been completed or at the end of the trial period, when provided.
Other goods	Batteries, cleaning kits, and other accessories. The Group recognizes the revenue relative to other goods when the goods are transferred, which can happen at the time of sale (ex. batteries, cleaning kits and other accessories) or over time.
After sales services	After sales services include: - Cleaning, regulation and revision of the hearing aid; - Periodic hearing tests; - Post – sales assistance; The Group recognizes the revenue generated by after sales services over the life of the contract, generally 4-5 years. The amount of the revenue recognized based on the input method.
Extended warranties	Extended warranties are provided in addition to mandatory warranties that the supplier must provide. The Group recognizes the revenue from extended warranties in equal amounts over the duration of the extension.
Material rights	*Material rights include, for example, discounts of future purchases or loyalty points.* The Group recognizes the revenue from material rights when the rights are exercised by the customer or when the probability that the customer exercises the remaining rights is remote.

The following table shows the deferred revenues of goods and services transferred during time which will be realized in the following 5 years and are included in the short and long-term contract costs liabilities as at December 31st, 2019.

Description	2020	2021	2022	2023	2024 and beyond
Revenues for goods and services provided over time	98,508	66,281	39,734	20,959	7,295

The services rendered over time refer mainly to after sales services, extended warranties, material rights and batteries (if delivered over time).

31 OPERATING COSTS

(€ thousands)	FY 2019	FY 2018	Change
Cost of raw materials, consumables and supplies and change in inventories of raw materials, consumables and supplies	(354,725)	(282,401)	(72,324)
Personnel expenses – Points of sale	(334,188)	(264,758)	(69,430)
Commissions – Points of sale	(106,117)	(96,718)	(9,399)
Rental costs – Points of sale	(5,977)	(68,437)	62,460
Total	**(801,007)**	**(712,314)**	**(88,693)**
Other personnel expenses	(228,807)	(165,513)	(63,294)
Other rental costs	(3,526)	(6,297)	2,771
Other costs for services	(329,507)	(249,129)	(80,378)
Total other operating costs	**(561,840)**	**(420,939)**	**(140,901)**
Total operating costs	**(1,362,847)**	**(1,133,253)**	**(229,594)**

The operating costs for 2019 include non-recurring costs linked to the GAES acquisition of €22,193 thousand, while the balance for 2018 included non-recurring costs linked to the GAES acquisition of €2,193 thousand.

The application of IFRS 16 using the modified retrospective approach, which does not call for the restatement of the comparative figures, had a significant impact on the comparability of the figures with rental costs falling €65,231 thousand against the prior year.
The drop in these costs was then offset, as described below, by the depreciation of the right-of-use assets of €88,047 thousand and interest payable on leases of €11,357 thousand. If IFRS16 had not been applied, rental costs would have shown an increase of €21,163 thousand against the comparison period.

The lease and rental costs refer to leases not subject to IFRS 16 application (leases for low value assets, short-term leases, leases with variable payment terms).

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

(€ thousands)	FY 2019	FY 2018	Change
Wages and salaries	(416,125)	(324,300)	(91,825)
Stock options and performance stock grant	(16,495)	(15,892)	(603)
Social contributions	(93,989)	(69,708)	(24,281)
Other personnel costs	(35,071)	(19,084)	(15,987)
Directors' remuneration and oversight bodies	(1,315)	(1,287)	(28)
Total	**(562,995)**	**(430,271)**	**(132,724)**

Staff headcount by geographic area:

	12/31/2019		12/31/2018	
	Number	Average	Number	Average
Italy	561	533	504	520
France	1,315	1282	1,249	1,186
Switzerland	293	291	281	227
Hungary	189	186	182	216
Germany	1,883	1786	1,689	1,465
Iberian Peninsula	2,007	2120	2,233	2,171
Belgium and Luxemburg	173	171	168	274
The Netherlands	735	745	754	694
Poland	157	146	151	163
United Kingdom and Ireland	451	443	433	422
Israel	193	193	192	204
Turkey	-	-	76	72
Egypt	182	178	174	169
Total EMEA	**8,139**	**8,074**	**8,086**	**7,783**
USA and Canada	512	489	465	453
Argentina	95	91	87	87
Chile	116	114	112	112
Ecuador	53	51	48	48
Panama	5	5	4	4
Colombia	30	28	26	26
Mexico	32	32	33	33
Total Americas	**843**	**810**	**775**	**763**
Australia	1,016	991	965	935
New Zealand	464	452	439	403
India	410	406	401	452
Singapore	5	4	2	2
China	126	112	97	97
Total Asia Pacific	**2,021**	**1,965**	**1,904**	**1,889**
Total Group	**11,003**	**10,849**	**10,765**	**10,435**

32 OTHER INCOME AND COSTS

(€ thousands)	FY 2019	FY 2018	Change
Other income and costs	1,374	(3,514)	4,888
Total	**1,374**	**(3,514)**	**4,888**

Other income and costs amounted to €1,374 thousand in 2019 and refer mainly to a few deferred payments for acquisitions that have not been paid. Other income and costs for 2018 includes non-recurring costs linked to the GAES acquisition of €6,264 thousand, net of which the balance would be positive for €2,750 thousand.

33 AMORTIZATION, DEPRECIATION AND IMPAIRMENT

(€ thousands)	FY 2019	FY 2018	Change
Amortization of intangible fixed assets	(60,534)	(36,973)	(23,561)
Depreciation of tangible fixed assets	(41,948)	(34,343)	(7,605)
Depreciation of right-of-use assets	(88,047)	-	(88,047)
Amortization and depreciation	(190,529)	(71,316)	(119,213)
Impairment	(2,970)	(841)	(2,129)
Total	**(193,499)**	**(72,157)**	**(121,342)**

The increase with respect to the comparative period is largely attributable to the application of IFRS 16 using the modified retrospective approach which does not call for the restatement of the comparative figures and which resulted in the recognition of €88,047 thousand in depreciation and amortization of right-of-use assets.
In 2019 amortization, depreciation and impairment were impacted by non-recurring amortization, depreciation and impairment of fixed assets connected to the restructuring of the GAES sales network equal to €2,021 thousand.

34 FINANCIAL INCOME, EXPENSES AND VALUE ADJUSTMENTS TO FINANCIAL ASSETS

(€ thousands)	FY 2019	FY 2018	Change
Proportionate share of the result of associated companies valued at equity	**188**	**426**	**(238)**
Other income, charges, revaluation and write-downs of financial assets	**3**	**44**	**(41)**
Interest income on bank accounts	201	499	(298)
Interest expenses on short and long-term bank loans	(14,588)	(13,744)	(844)
Interest income and expenses	**(14,387)**	**(13,245)**	**(1,142)**
Interest expenses on lease liabilities	**(11,357)**	**-**	**(11,357)**
Other financial income and charges	**(581)**	**(925)**	**344**
Exchange rate gains	2,983	817	2,166
Exchange rate losses	(3,428)	(1,681)	(1,747)
Gains/(losses) on financial assets at fair value – Non-hedge accounting derivatives	(373)	(170)	(203)
Exchange rate differences and non-hedge accounting derivatives	**(818)**	**(1,033)**	**215**
Total	**(26,952)**	**(14,734)**	**(12,218)**

The increase against the comparative period is explained largely by the impact of IFRS 16 application using the modified retrospective approach which does not call for the restatement of the comparative figures and which resulted in the recognition of interest payable on leases of €11,357 thousand.

Interest payable on financial indebtedness amounted to €14,588 thousand at 31 December 2019, compared to €13,744 thousand at 31 December 2018. The slight increase is attributable to the much higher level of average indebtedness following the GAES acquisition. The rates of the Eurobond repaid in July 2018 were considerably higher than the ones negotiated for the credit lines used to refinance the bond, as well as the loan used to finance the GAES Group acquisition.

Interest receivable on bank deposits came to €201 thousand at 31 December 2019, compared to €499 thousand at 31 December 2018.

"Other financial income and charges" includes €908 thousand (€880 thousand in 2018) relating to the cost of factoring without recourse of receivables in Italy, the Netherlands and Belgium.

The gains and losses on financial assets measured at fair value refer primarily to forwards hedging currency risk on intercompany loans denominated in British pounds between Amplifon S.p.A. and a UK subsidiary offset by exchange rate gains and losses.

INTEREST RATE RISK - SENSITIVITY ANALYSIS

The Amplifon Group's exposure to changes in interest rates is mitigated significantly by the fact that a large part of the medium/long-term debt is fixed rate as a result of interest rate hedges.

More in detail:

- as a result of swaps, the Euro interest rate on the different tranches of the USD 130 million 2013-2025 private placement is 3.9% (average rate);
- as a result of hedges, the average rate on the loans granted by UniCredit (€100 million), Banco BPM (€50 million), HSBC (€20 million) and Mediobanca (€30) is 1.063%;
- as a result of the IRS completed on 4 January 2019, effective 18 June 2019, the €265 million Facility A of the GAES loan, is hedged at fix rate of 0.132%. The rate is set at 1.382% through 30 June 2020;
- The €265 million Facility B of the GAES loan was subject to a floating rate of 0.96% through 31 March 2020. This facility was extinguished in the first quarter of 2020.

The impact on the income statement of plausible changes in interest rates, calculated based on the figures found in the consolidated financial statements at 31 December 2019, is shown below (with the exception Facility B of the GAES loan which was extinguished in the first quarter of 2020).

The current market conditions are such that the Group believes it is unlikely that rates will be reduced any further. For this reason, the sensitivity analysis for 2019 assumes an increase in rates of only up to 1%.

(€ thousands)

FY 2019	Note	Balance at 12/31/2019	Increase/decrease in interest rates (in %)	Impact on profit before tax
Current assets				
Bank current accounts and short-term bank deposits	15	136,653	+1%	1,367
Current liabilities				
Bank current accounts	28	(2,847)	+1%	(28)
Short-term bank borrowings	28	(91,714)	+1%	(917)
Total impact on profit before tax				**421**

CURRENCY RISK - SENSITIVITY ANALYSIS:

The USD 130 million 2013-2015 private placement is hedged against currency risk. More specifically, as a result of hedges the Group set the Euro/USD exchange rate for the duration of the loan. Therefore, it is reasonable to assume that any change in exchange rates will not have a significant impact on the income statement as the currency positions and the hedges will automatically show changes of equal amounts but of the opposite sign.

Similar considerations may be made with regard to intercompany loans denominated in currencies other than Euro between Amplifon S.p.A. and a UK subsidiary.

The intercompany loans between the Australian and New Zealand companies, and between American and Canadian companies, 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 passing through the income statement.

In light of the above and considering that the marketing cost chargebacks were invoiced at 31 December 2019, the residual currency risk on unhedged receivables, payables and future revenue streams is not significant.

35 INCOME TAXES

(€ thousands)	FY 2019	FY 2018	Change
Current income tax	(47,331)	(36,364)	(10,967)
Deferred income tax	5,716	(1,802)	7,518
Total	**(41,615)**	**(38,166)**	**(3,449)**

(€ thousands)	FY 2019	FY 2018	Change
Current income tax	150,139	138,576	11,563
Deferred income tax	(41,615)	(38,166)	(3,449)
Total	**-27.7%**	**-27.5%**	**0.2%**

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

(€ thousands)	December 2019 Tax effect	%	December 2018 Tax effect	%
Reconciliation with the effective tax rate:				
Effective tax/effective tax rate	**41,615**	**27.7%**	**38,166**	**27.5%**
Non-recognition of deferred taxes on the year's losses and earnings which were not taxed due to carried forward tax losses	(877)	-0.6%	2,810	2.0%
Recognition of tax assets from prior years and write-down of previously recorded tax assets	2,755	1.8%	-	-
Patent Box incentive	852	0.6%	2,520	1.8%
Effect of companies taxed in countries other than Italy	(815)	-0.5%	(4,527)	-11.9%
Deferred tax: change in rates and correction of errors	(603)	-0.4%	(547)	-0.4%
Non-deductible expense net of non-taxable income	(1,020)	-0.7%	(2,829)	-7.4%
Effective tax rate net of IRAP and CVAE	**41,907**	**27.9%**	**35,594**	**25.7%**
IRAP, CVAE and other taxes not tied to income tax	(5,873)	-3.9%	(2,335)	-1.7%
Effective tax/theoretical tax rate	**36,034**	**24.0%**	**33,259**	**24.0%**

The tax rate came to 27.7% compared to 27.5% at 31 December 2018. Based on the accounting standards applied in the prior year, the tax rate would have been 27.4%.

36 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 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 authorized the Directors to increase Amplifon S.p.A.'s share capital, in one or more stages, by up to a nominal value of €150,000 through the issuance of 7,500,000 ordinary shares with a nominal 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.

Stock option 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 APRIL 19TH, 2011

(€ thousands)	FY 2019			FY 2018		
	No. of options	Strike price (€)	Market Price (€)	No. of options	Strike price (€)	Market Price (€)
Option rights at January 1st	**35,000**	**4.227**	**14.05**	**40,000**	**4.227**	**12.84**
(Option rights exercised in the period)	35,000	4.227	17.61 (*)	5,000	4.227	14.58 (*)
(Option rights cancelled in the period)	-	-	-	-	-	-
(Option rights expired in the period)	-	-	-	-	-	-
Option rights at December 31st	**-**	**-**	**-**	**35,000**	**4.227**	**14.05**
of which exercisable at December 31st	-	-	-	*35,000*	-	-

(*) Average weighted market price during the yearly periods.

GENERAL CHARACTERISTICS OF THE PERFORMANCE STOCK GRANT PLAN 2011-2020

On 16 December 2010 the Board of Directors – as resolved by the Shareholders' Meeting held on 13 December 2010 – approved the regulation of the Performance Stock Grant Plan 2011-2020 with the following general characteristics:

- the Plan provides for the grant of rights, each of which gives the right to Company stock to be granted to beneficiaries in key positions in the Group at the end of the vesting period (4.5 years);
- for each grant cycle, the Board of Directors is empowered to identify the beneficiaries and to set the number of rights to be granted to each beneficiary;
- the Board may also make such changes to the Plan as it considers necessary, at its sole discretion, with the aim e.g. of: (i) accommodating changes in the law; or (ii) making it possible for the Beneficiaries to benefit or continue to benefit from favorable regulations;
- the vesting of rights and the consequent grant of all or some of the shares shall be subject to the following conditions:
  (i) on the award date of the shares the beneficiary must be an employee of a Group company, and not be working out a period of notice following dismissal or resignation;
  (ii) on the award date of the shares the reference price should be at least equal to the reference price; 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.
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.

Below are reported the details of the cycles of assignment of the Performance Stock Grant plan 2011-2020.

A) Stock grant assigned on May 2nd, 2013

STOCK GRANT MAY 2ND, 2013

(€ thousands)	FY 2019		FY 2018	
	N. rights granted	Market Price (€)	N. rights granted	Market Price (€)
Option rights at January 1st	**235,250**	**14.05**	**374,000**	**12.84**
(Rights converted in the period)	213,750	21.01 (*)	138,750	16.93 (*)
(Rights cancelled in the period)	21,500	-	-	-
Option rights at December 31st	**-**	**-**	**235,250**	**14.05**

(*) Average weighted market price during the yearly periods.

GENERAL CHARACTERISTICS OF THE 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 foresees further conditions to attribute the financial instruments:
  - Cluster 1: achievement of Group 3-year business targets;
  - Cluster 2: level of the Individual Performance of the beneficiary is not lower, in all the Reference Periods, than "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 S.p.A. 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 after having 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 after having 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 was 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' maturity remain unchanged.

The amendment affects only French beneficiaries and does not have any retroactive effects on previous awards to French beneficiaries.

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 took place in the year 2017.

A) Stock grant assigned on April 28th, 2014

STOCK GRANT APRIL 28TH, 2014

(€ thousands)	FY 2019		FY 2018	
	N. rights granted	Market Price (€)	N. rights granted	Market Price (€)
Option rights at January 1st	**296,302**	**14.05**	**734,680**	**12.84**
Rights - Upside	-	-	-	-
(Rights converted in the period)	285,302	14.73 (*)	438,378	16.25 (*)
(Rights cancelled in the period)	11,000	-	-	-
Option rights at December 31st	**-**	**-**	**296,302**	**14.05**

(*) Average weighted market price during the yearly periods.

B) Stock grant assigned on April 29th, 2015

STOCK GRANT APRIL 29TH, 2015

(€ thousands)	FY 2019		FY 2018	
	N. rights granted	Market Price (€)	N. rights granted	Market Price (€)
Option rights at January 1st	**729,033**	**14.05**	**2,015,073**	**12.84**
Rights - Upside	-	-	143,750	-
(Rights assigned in the period)	-	-	-	-
(Rights converted in the period)	493,780	19.47 (*)	1,405,090	17.81 (*)
(Rights cancelled in the period)	24,233	-	24,700	-
Option rights at December 31st	**211,020**	**25.64**	**729,033**	**14.05**

(*) Average weighted market price during the yearly periods

C) Stock grant assigned on October 22nd, 2015

STOCK GRANT OCTOBER 22ND, 2015

(€ thousands)	FY 2019		FY 2018	
	N. rights granted	Market Price (€)	N. rights granted	Market Price (€)
Option rights at January 1st	**88,000**	**14.05**	**190,500**	**12.84**
Rights - Upside	-	-	7,500	-
(Rights assigned in the period)	-	-	-	-
(Rights converted in the period)	62,000	21.03 (*)	110,000	18.02 (*)
(Rights cancelled in the period)	-	-	-	-
Option rights at December 31st	**26,000**	**25.64**	**88,000**	**14.05**

(*) Average weighted market price during the yearly periods.

D) Stock grant assigned on April 27th, 2016

STOCK GRANT APRIL 27TH, 2016 – GENERAL RULES

(€ thousands)	FY 2019		FY 2018	
	N. rights granted	Market Price (€)	N. rights granted	Market Price (€)
Option rights at January 1st	**1,579,967**	**14.05**	**1,660,834**	**12.84**
Rights - Upside	56,550	-	-	-
(Rights assigned in the period)	-	-	-	-
(Rights converted in the period)	1,117,726	20.49 (*)	-	-
(Rights cancelled in the period)	52,567	-	80,867	-
Option rights at December 31st	**466,224**	**25.64**	**1,579,967**	**14.05**

(*) Average weighted market price during the yearly periods.

STOCK GRANT APRIL 27TH, 2016 – FRENCH RULES

(€ thousands)	FY 2019		FY 2018	
	N. rights granted	Market Price (€)	N. rights granted	Market Price (€)
Option rights at January 1st	**63,000**	**14.05**	**65,000**	**12.84**
(Rights assigned in the period)	-	-	-	-
(Rights converted in the period)	59,000	20.31 (*)	-	-
(Rights cancelled in the period)	2,000	-	2,000	-
Option rights at December 31st	**2,000**	**25.64**	**63,000**	**14.05**

(*) Average weighted market price during the yearly periods.

E) Stock grant assigned on October 26th, 2016

STOCK GRANT OCTOBER 26TH, 2016 – GENERAL RULES

(€ thousands)	FY 2019		FY 2018	
	N. rights granted	Market Price (€)	N. rights granted	Market Price (€)
Option rights at January 1st	**228,000**	**14.05**	**258,000**	**12.84**
(Rights assigned in the period)	-	-	-	-
Rights - Upside	3,900	-		
(Rights converted in the period)	181,900	20.74 (*)	-	-
(Rights cancelled in the period)	18,500	-	30,000	-
Option rights at December 31st	**31,500**	**25.64**	**228,000**	**14.05**

(*) Average weighted market price during the yearly periods.

STOCK GRANT OCTOBER 26TH, 2016 – FRENCH RULES

(€ thousands)	FY 2019		FY 2018	
	N. rights granted	Market Price (€)	N. rights granted	Market Price (€)
Option rights at January 1st	**40,000**	**14.05**	**40,000**	**12.84**
(Rights assigned in the period)	-	-	-	-
(Rights converted in the period)	33,200	20.30 (*)	-	-
(Rights cancelled in the period)	6,800	-	-	-
Option rights at December 31st	-	-	40,000	14.05

(*) Average weighted market price during the yearly periods

F) Stock grant assigned on April 27th, 2017

STOCK GRANT APRIL 27TH, 2017 – GENERAL RULES

(€ thousands)	FY 2019		FY 2018	
	N. rights granted	Market Price (€)	N. rights granted	Market Price (€)
Option rights at January 1st	**1,638,900**	**14.05**	**1,778,050**	**12.84**
(Rights assigned in the period)	-	-	-	-
(Rights transferred in the period)	10,000			
(Rights converted in the period)	-	-	-	-
(Rights cancelled in the period)	122,200	-	139,150	-
Option rights at December 31st	**1,506,700**	**25.64**	**1,638,900**	**14.05**

STOCK GRANT APRIL 27TH, 2017 – FRENCH RULES

(€ thousands)	FY 2019		FY 2018	
	N. rights granted	Market Price (€)	N. rights granted	Market Price (€)
Option rights at January 1st	**62,000**	**14.05**	**77,000**	**12.84**
(Rights assigned in the period)	10,000	-	-	-
(Rights converted in the period)	-	-	-	-
(Rights converted in the period)	8,000	-	15,000	-
Option rights at December 31st	**64,000**	**25.64**	**62,000**	**14.05**

G) Stock grant assigned on October 25th, 2017

STOCK GRANT OCTOBER 25TH, 2017 – GENERAL RULES

(€ thousands)	FY 2019		FY 2018	
	N. rights granted	Market Price (€)	N. rights granted	Market Price (€)
Option rights at January 1st	**105,000**	**14.05**	**119,000**	**12.84**
(Rights assigned in the period)	-	-	-	-
(Rights converted in the period)	-	-	-	-
(Rights cancelled in the period)	-	-	14,000	-
Option rights at December 31st	**105,000**	**25.64**	**105,000**	**14.05**

STOCK GRANT OCTOBER 25TH, 2017 – FRENCH RULES

(€ thousands)	FY 2019		FY 2018	
	N. rights granted	Market Price (€)	N. rights granted	Market Price (€)
Option rights at January 1st	**3,000**	**14.05**	**3,000**	**12.84**
(Rights assigned in the period)	-	-	-	-
(Rights converted in the period)	-	-	-	-
(Rights cancelled in the period)	-	-	-	-
Option rights at December 31st	**3,000**	**25.64**	**3,000**	**14.05**

H) Stock grant May 2nd, 2018

STOCK GRANT MAY 2ND, 2018 – GENERAL RULES

(€ thousands)	FY 2019		FY 2018	
	N. rights granted	Market Price (€)	N. rights granted	Market Price (€)
Option rights at January 1st	**1,244,800**	**14.05**	-	-
Rights granted in the period	-	-	1,294,850	15.50
(Rights converted in the period)	-	-	-	-
(Rights cancelled in the period)	97,768	-	50,050	-
Option rights at December 31st	**1,147,032**	**25.64**	**1,244,800**	**14.05**

STOCK GRANT MAY 2ND, 2018 – FRENCH RULES

(€ thousands)	FY 2019		FY 2018	
	N. rights granted	Market Price (€)	N. rights granted	Market Price (€)
Option rights at January 1st	**27,300**	**14.05**	-	-
Rights granted in the period	-	-	27,300	15.50
(Rights converted in the period)	-	-	-	-
(Rights cancelled in the period)	3,310	-	-	-
Option rights at December 31st	**23,990**	**25.64**	**27,300**	**14.05**

I) Stock grant assigned on October 30th, 2018

STOCK GRANT OCTOBER 30TH, 2018 – GENERAL RULES

(€ thousands)	FY 2019		FY 2018	
	N. rights granted	Market Price (€)	N. rights granted	Market Price (€)
Option rights at January 1st	**95,100**	**14.05**	-	-
Rights granted in the period	-	-	95,100	16.27
(Rights converted in the period)	-	-	-	-
(Rights cancelled in the period)	1,000	-	-	-
Option rights at December 31st	**94,100**	**25.64**	**95,100**	**14.05**

STOCK GRANT OCTOBER 30TH, 2018 – FRENCH RULES

(€ thousands)	FY 2019		FY 2018	
	N. rights granted	Market Price (€)	N. rights granted	Market Price (€)
Option rights at January 1st	**7,700**	**14.05**	-	-
Rights granted in the period	-	-	7,700	16.27
(Rights converted in the period)	-	-	-	-
(Rights cancelled in the period)	-	-	-	-
Option rights at December 31st	**7,700**	**25.64**	**7,700**	**14.05**

GENERAL CHARACTERISTICS OF THE PERFORMANCE STOCK GRANT PLAN 2019-2025

On 7 May 2019 the Board of Directors – as resolved by the Shareholders' Meeting held on 17 April 2019 and based on the recommendations of the Remuneration & Appointment Committee– approved the regulations of the New Performance Stock Grant Plan 2019-2025 with the following general characteristics:

- The Stock Grant Plan provides for different guidelines according to the category the beneficiaries belong to:
  - Long-Term Incentive Plan (LTI) Beneficiaries: the employees and the associates, of a Group Company – identified by virtue of the band to which the organizational position of the same employee and/or associate belongs to, in the context of the Company's banding system, subject to possible review on an annual basis
  - Amplifon Extraordinary Award Plan (AEA) Beneficiaries: the employees and the associates of a Group Company, identified on the basis of retention, promotability and extraordinary recognition criteria
- With reference to all Beneficiaries of the Plan, unless otherwise provided elsewhere in these Rules, the Assigned Rights attributed will vest (the "Vested Rights") provided that as of the date falling on the last day of the Aggregate Reference Period, the Beneficiary is an employee or an associate of a Group Company and no notice period is under way.
  With regard to the Long-Term Incentive Plan (LTI) Beneficiaries, the vesting of the Assigned Rights is also subject to the achievement of the business objectives indicated in the Letter of Assignment of the Rights;
- The Shares corresponding to the Vested Rights shall be assigned to the beneficiary within 90 (ninety) Business Days from the date of the Notice of Vesting of the Assigned Rights, subject to the implementation (also by the beneficiary) of all the fulfilments (including those of accounting and/ or administrative nature) relating thereto.

Below are reported the details of the 2019 cycle of assignment of the Stock Grant plan 2019-2025.

A) Stock grant assigned on May 7th, 2019

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

	ASSIGNMENT – GENERAL RULES	ASSIGNMENT – FRENCH RULES
Model used	**Binomial (Cox-Ross-Rubinstein method)**	
Price at grant date	16.79 €	
Threshold	0 €	
Exercise Price	0.00	
Volatility	25.43%	
Risk free interest rate	0.0%	
Maturity (in years)	3	
Price at grant date	date of approval by the Board of the project of Consolidated Financial Statement as of 12/31/21 (i.e. March 2022)	
Threshold	0.00%	

STOCK GRANT MAY 7TH, 2019 – GENERAL RULES

(€ thousands)	FY 2019		FY 2018	
	N. rights granted	Market Price (€)	N. rights granted	Market Price (€)
Option rights at January 1st	-	-	-	-
Rights granted in the period	619,900	16.79	-	-
(Rights converted in the period)	-	-	-	-
(Rights cancelled in the period)	29,000	-	-	-
Option rights at December 31st	**590,900**	**25.64**	-	-

B) Stock grant assigned on October 30th, 2019

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

	ASSIGNMENT – GENERAL RULES / ASSIGNMENT – FRENCH RULES
Model used	Binomial (Cox-Ross-Rubinstein method)
Price at grant date	21.34 €
Threshold	0 €
Exercise Price	0.00
Volatility	25.27%
Risk free interest rate	0.0%
Maturity (in years)	3
Vesting Date	date of approval by the the Board of the project of Consolidated Financial Statement as of 12/31/21 (i.e. March 2022)
Price at grant date	0.00%

STOCK GRANT OCTOBER 30TH, 2019 – GENERAL RULES

(€ thousands)	FY 2019		FY 2018	
	N. rights granted	Market Price (€)	N. rights granted	Market Price (€)
Option rights at January 1st	-	-	-	-
Rights granted in the period	54,400	21.34	-	-
(Rights converted in the period)	-	-	-	-
(Rights cancelled in the period)	-	-	-	-
Option rights at December 31st	**54,400**	**25.64**	-	-

RESIDUAL LIFE OF THE AWARDED STOCK GRANTS

RIGHTS ASSIGNED UP TO 12/31/2019

(€ thousands)		VESTING				EXERCISE	
Plans	**Assignment date**	**< 1 year**	**1-5 years**	**5-10 years**	**Total**	**N. of rights**	**Average expiring date**
Nuovo Performance Stock Grant 2014 - 2021	04/29/2015					211,020	1 years
	10/29/2015					26,000	1 years
	04/27/2016					468,224	2 years
	of which General Rules					*466.224*	2 years
	of which French Rules					*2.000*	2 years
	10/26/2016					31.500	2 years
	of which General Rules					*31.500*	2 years
	of which French Rules					-	-
	04/27/2017	1,570,700			1,570,700		
	of which General Rules	*1,506,700*			*1,506,700*		
	of which French Rules	*64,000*			*64,000*		
	10/25/2017	108,000			108,000		
	of which General Rules	*105,000*			*105,000*		
	of which French Rules	*3,000*			*3,000*		
	05/02/2018		1,171,022		1,171,022		
	of which General Rules		*1,147,032*		*1,147,032*		
	of which French Rules		*23,990*		*23,990*		
	10/30/2018		101,800		101,800		
	of which General Rules		*94,100*		*94,100*		
	of which French Rules		*7,700*		*7,700*		
Stock Grant Plan 2019 - 2015	05/07/2019		590,900		590,900		
	10/30/2019		54,400		54,400		
	Total	**1,678,700**	**1,918,122**		**3,596,822**	**736,744**	

The figurative cost of the stock grants for the period is €16,495 thousand.

37 SUBSIDIARIES WITH RELEVANT NON-CONTROLLING INTERESTS, JOINT VENTURES AND ASSOCIATED COMPANIES

The following table shows the main income statement and statement of financial position figures of the subsidiaries with relevant minority interests (as a reference please consider the annex regarding the consolidation area). The figures are shown before intragroup eliminations.

(€ thousands)	12/31/2019	12/31/2018
Non-current assets	2,619	2,244
Current assets	3,122	3,688
Non-current liabilities	314	392
Current liabilities	2,736	3,004
Revenues	7,338	5,234
Net profit (loss) for the year	(438)	(67)
Dividends paid to minorities	226	94
Net financial positions	226	73
Cash flows	229	76

The following table shows the main income statement and statement of financial position highlights of the Dutch joint venture Comfoor BV, accounted for using the equity method. The company is active in the hearing protection sector.

(€ thousands)	12/31/2019	12/31/2018
Non-current assets	2,033	1,890
Current assets	5,848	6,025
Non-current liabilities	208	208
Current liabilities	3,080	3,483
Revenues	7,193	9,629
Amortization, depreciation and impairment	(255)	(384)
Interest income and expenses	(30)	(33)
Net profit (loss)	1,093	1,093
Net financial position	740	2,122
Cash flows	(251)	68

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 (matching values):

(€ thousands)	12/31/2019	12/31/2018
Net equity of joint ventures	4,593	4,223
% held	50%	50%
Book value	2,296	2,111

38 EARNINGS (LOSS) PER SHARE

BASIC EPS

Basic earnings per share is obtained by dividing the net profit for the year attributable to the ordinary shareholders of the parent company by the weighted average number of shares outstanding in the year, considering purchases and disposals of treasury shares as cancellations and issues of shares respectively.

Earnings per share is determined as follows:

Earnings per share	FY 2019	FY 2018
Net profit (loss) attributable to ordinary shareholders (€ thousand)	108,666	100,443
Average number of shares outstanding in the year	221,863,663	219,758,444
Average earnings per share (€ per share)	0.48979	0.45706

DILUTED EPS

Diluted earnings per share is obtained by dividing the net income for the year attributable 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 cancellations and issues of shares respectively

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-dilutive effects.

Weighted average diluted number of shares outstanding	FY 2019	FY 2018
Average number of shares outstanding in the year	221,863,663	219,758,444
Weighted average of potential and diluting ordinary shares	3,889,104	4,439,021
Weighted average of shares potentially subject to options in the period	225,752,767	224,197,465

The diluted earnings per share was determined as follows:

Diluted earnings per share	FY 2019	FY 2018
Net profit attributable to ordinary shareholders (€ thousands)	108,666	100,443
Average diluted number of outstanding shares	225,752,767	224,197,465
Average diluted earnings per share (€)	0.48135	0.44801

39 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 Srl which is owned through a majority stake (93.82% as at 12/31/2019) by Amplifin S.p.A. which is fully controlled by Susan Carol Holland, with 100% of the shares.

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)	12/31/2019				FY 2019		
	Trade receivables	Trade payables	Other receivables	Other assets	Revenues for sales and services	Operating costs	Interest income and expenses
Amplifin S.p.A.	107	-	1,549	-	-	(1)	42
Total – Parent Company	**107**	**-**	**1,549**	**-**	**-**	**(1)**	**42**
Comfoor BV (The Netherlands)	4	724	-	-	19	(3,584)	-
Comfoor GmbH (Germany)	-	4	-	-	-	(29)	-
Ruti Levinson Institute Ltd (Israel)	211	-	-	-	288	(23)	-
Afik -Test Diagnosis & Hearing Aids Ltd (Israel)	-	23	-	22	466	-	1
Total – Associated companies	**214**	**751**	**-**	**22**	**773**	**(3,636)**	**1**
Total related parties	**322**	**751**	**1,549**	**22**	**773**	**(3,637)**	**43**
Total as per financial statement	**201,603**	**177,390**	**71,552**	**67,515**	**1,732,063**	**(1,362,847)**	**(14,388)**
% of financial statement total	**0.16%**	**0.42%**	**2.16%**	**0.03%**	**0.04%**	**0.27%**	**-0.30%**

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

- amounts payable by Amplifin S.p.A. for the recovery of maintenance costs and condominium fees;
- amounts payable by Amplifin S.p.A. for the relative portion of costs pertaining to the restructuring of the headquarters calculated based on modern and efficient usage fees for the working spaces;
- trade receivables payable by associated companies (primarily in Israel) acting as resellers to which the Group supplies hearing aids.

The trade payables and operating costs refer mainly to commercial transactions with Comfoor BV and Comfoor GmbH, a joint venture from which hearing protection devices are purchased and then distributed in Group stores.

With the application of IFRS 16, the lease for the Milan headquarters (leased to Amplifon by the parent company Amplifin) is no longer recognized as an operating cost, but is recognized under right-of-use depreciation for €1,836 thousand, interest on leases for €411 thousand and lease liabilities of €18,807 thousand.

OTHER RELATED PARTIES

The total remuneration of Group Directors, Statutory Auditors and Key Managers (including of subsidiaries) for the period amounted to €12,783 thousand as shown below:

Directors, Board of Statutory Auditors and Key Managers.

First Name and Surname	Office Held	Period in which the office has been held	Term of office ends upon	Fixed compens.	Committee attendance fees
Susan Carol Holland	Chairman	01/01/2019 – 12/31/2019	Approval 2021 financ. stat	300	-
Enrico Vita	CEO	01/01/2019 – 12/31/2019	Approval 2021 financ. stat	400	-
	Managing Director	Permanent		957	-
Andrea Casalini	Indep. Director	01/01/2019 – 12/31/2019	Approval 2021 financ. stat	55	30
Alessandro Cortesi	Indep. Director	01/01/2019 – 12/31/2019	Approval 2021 financ. stat	55	25
Maurizio Costa	Indep. Director	01/01/2019 – 12/31/2019	Approval 2021 financ. stat	55	30
Laura Donnini	Indep. Director	01/01/2019 – 12/31/2019	Approval 2021 financ. stat	55	35
Maria Patrizia Grieco	Indep. Director	01/01/2019 – 12/31/2019	Approval 2021 financ. stat	55	20
Lorenzo Pozza	Indep. Director	01/01/2019 – 12/31/2019	Approval 2021 financ. stat	55	45
Giovanni Tamburi	Director	01/01/2019 – 12/31/2019	Approval 2021 financ. stat	55	-
Raffaella Pagani	Chairman of the Board of Auditors	01/01/2019 – 12/31/2019	Approval 2020 financ. stat	60	-
Emilio Fano	Standing Auditor	01/01/2019 – 12/31/2019	Approval 2020 financ. stat	40	-
Maria Stella Brena	Standing Auditor	01/01/2019 – 12/31/2019	Approval 2020 financ. stat	40	-
	Total			**2,182**	**185**
Others (Key managers) A, Bonacina G, Chiesa C, Finotti G, Galli M, Lundeberg F, Morichini I, Pazzi G, Pizzini C, Stevens		Permanent		2962	,
	Total			**5,144**	**185**

NON-EQUITY VARIABLE COMPENSATION							
Bonuses and other incentives	Profit sharing	Fringe benefit.	Total	FV equity compen.	Termination allowance	Non-compete agreement	Total
-	-	4	304	-	-	-	304
-	-	-	400	-	-	-	4,002
1260	-	32	2249	1353	-	-	
-	-	-	85	-	-	-	85
-	-	-	80	-	-	-	80
-	-	-	85	-	-	-	85
-	-	-	90	-	-	-	90
-	-	-	75	-	-	-	75
-	-	-	100	-	-	-	100
-	-	-	55	-	-	-	55
-	-	-	60	-	-	-	60
-	-	-	40	-	-	-	40
-	-	-	40	-	-	-	40
1,260	**-**	**36**	**3,663**	**1,353**	**0**	**0**	**5,016**
2416	-	288	5,666	2,101		-	7,767
3,676	**-**	**324**	**9,329**	**3,454**	**0**	**0**	**12,783**

The table below shows the details of stock grants awarded to the members of Board of Directors, General Managers and Key Managers.

			FINANCIAL INSTRUMENTS GRANTED IN PREVIOUS YEARS AND NOT VESTED DURING THE PERIOD		FINANCIAL INSTRUMENTS GRANTED IN THE PERIOD				
First Name and Surname	**Office held**	**Programme (when approved)**	**Num. of f inancial instruments**	**Vesting period**	**Num.and type of financial instruments**	**FV at grant date**	**Vesting period**	**Grant date**	**Market price on grant date**
Enrico Vita	CEO & Managing Director	New Performance Stock Grant 28 April 2014							
		New Performance Stock Grant 29 April 2015							
		New Performance Stock Grant 27 April 2016							
		New Performance Stock Grant 27 April 2017	120,000	June 2020					
		New Performance Stock Grant 2 May 2018	140,000	June 2021					
		Stock Grant Plan 7 May 2019			140,000	16.28	marzo 2022	07/05/19	16.79
Total			**260,000**		**140,000**				
Other Key Managers of the Group: A, Bonacina G, Chiesa C, Finotti G, Galli M, Lundeberg F, Morichini I, Pazzi G, Pizzini C, Stevens		New Performance Stock Grant 29 April 2015							
		New Performance Stock Grant 22 October 2015							
		New Performance Stock Grant 27 April 2016							
		New Performance Stock Grant 27 April 2017	225,000	June 2020					
		New Performance Stock Grant 25 October 2017	30,000	June 2020					
		New Performance Stock Grant 5 May 2018	211,000	June 2021					
		Stock Grant Plan 7 May 2019			187,000	16.28	marzo 2022	07/05/19	16.79
Total Key Managers of the Group			**466,000**		**187,000**				,
Grand Total			**726,000**		**327,000**				

FINANCIAL INSTRUMENTS CANCELLED OR EXPIRED DURING THE PERIOD	FINANCIAL INSTRUMENTS VESTED DURING THE PERIOD		FINANCIAL INSTRUMENTS EXERCISED DURING THE PERIOD		EXISTING FINANCIAL INSTRUMENTS AT THE END OF PERIOD	FAIR VALUE FY 2019 (EURO/000)
	Financial instruments vested during the period and not attributable	Financial instruments vested during the period and attributable	Num. of financial instruments	Market Price at exercise date	Existing financial instruments at the end of period	
			138,000	19.34		
			150,000	22.23		
		135,600	12,000	22.77	123,600	128
					120,000	341
					140,000	505
					140,000	379
		135,600	**300,000**		**523,600**	**1,353**
			41,250	20.16		
			37,500	19.78		
		152,550	104,955	21.58	47,595	144
					225,000	639
					30,000	104
8,333					202,667	762
20,000					167,000	452
28,333	**-**	**152,550**	**183,705**		**672,262**	**2,101**
28,333	**-**	**288,150**	**483,705**		**1,195,862**	**3,454**

40 GUARANTEES PROVIDED, COMMITMENTS AND CONTINGENT LIABILITIES

GUARANTEES PROVIDED TO THIRD PARTIES

As at December 31st, 2019 the item included the following:

(€ thousands)	12/31/2019	12/31/2018
Guarantees provided to third parties	104,347	97,765
Total	**104,347**	**97,765**

With regard to the guarantees relating to financial liabilities recognized in the consolidated 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 (if applicable).

The guarantees provided refer mainly to:

- the guarantee issued to the subscribers of the 2013-2025 private placements issued by Amplifon USA of €25,081 thousand;
- sureties issued in favor of third parties for leases amounting to €9,356 thousand;
- surety bonds issued by Amplifon S.p.A. in favor of the Revenue Office for VAT credits amounting to €45,172 thousand;
- miscellaneous guarantees, totaling €7,690 thousand, which include letters of patronage issued on behalf of subsidiaries to third parties.

COMMITMENTS

Following application of IFRS 16 leases are recognized directly as lease liabilities and, therefore, there are no longer any commitments recognized in the consolidated financial statements.

CONTINGENT LIABILITIES AND UNCERTAINTIES

Currently the Group is not exposed to any particular risks or uncertainties with the exception of the usual periodic tax audits, which are currently underway in two countries of the Group. These audits are presently in the preliminary phase and no findings have been reported so far.

41 TRANSACTIONS ARISING FROM ATYPICAL/UNUSUAL TRANSACTIONS

Pursuant to Consob Communication of 28 July 2006, it should be noted that during 2019 the Group carried out no atypical and/or unusual transactions, as defined by the Communication.

42 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 transaction into the reporting currency gives rise to an exchange rate gain or loss.

The Amplifon Group's foreign exchange transaction risk is limited as each country is largely autonomous in the operation of its business, bearing costs in the same currency as it realizes revenue, with the exception of Israel, where purchases are made in Euros and USD dollars, Canada where a small part of the purchase costs are incurred in US dollars, and Central and South America where the subsidiaries of the GAES Group (acquired at the end of 2018) use euros to pay GAES SA in Barcelona. The size, however, of the subsidiaries 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 intercompany 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 intercompany 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, Canada, the United Kingdom, Switzerland, Hungary, Poland, Israel, Australia, New Zealand, India, China, Egypt and, as result of the GAES Group acquisition year-end 2018, in Chile, Argentina, Ecuador, Colombia, Panama and Mexico.

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. In particular (i) bonds issued in US dollars by Amplifon S.p.A. and subscribed by Amplifon USA Inc, (ii) dividends approved but not yet paid by the Australian subsidiary and denominated in Australian dollars.

The loans between the Australian and New Zealand companies, between the American and Canadian companies, 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 intercompany 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 was approximately €3.0 million lower than 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 the fair value risk stems from the issuance of bonds at fixed rate (private placement). The cash flow risk comes from the bank borrowings at variable interest rate.
The Group's strategy is to minimize cash flow risk, especially with respect to long-term exposures, through a balanced mix of fixed- and floating-rate loans and assessing 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 case at least 50% of the debt has to be hedged against the change of interest rates. At 31 December 2019, the Group's medium/long term debt is explained for €700 million by floating rate bank loans, €435 million of which had been swapped to fixed rate debt at the date of this report, and for €100 million (at the hedging rate) by capital market issues(US Private Placement), 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 reform relating to benchmarks, namely the Benchmark Regulation (BMR), also affects Euribor and could impact the hedges taking effect in 2022. The Amplifon Group is taking the steps needed to understand the impact this reform might have. As a considerable part of the debt and the relative hedges expire by 2022, the reform is not expected to have a significant impact.

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) 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) the residual amounts receivable 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 the credit risk arising from sales to US indirect channel operators (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 commercial 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 which advance the whole amount of the sale to Amplifon, while 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 making diversified investments with 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 derivatives. 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. Transactions with non-investment grade counterparties are not allowed unless specifically authorized by the Group's CEO and CFO.

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 quickly or 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 and/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, including because of the sizeable financial commitment assumed with the GAES Group acquisition, 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 and the refinancing of debt reaching maturity.
The available credit lines amounted to €177 million of which €74 million utilized. There are also unutilized irrevocable credit lines of €195 million. The debt is medium-long term with the first significant maturities, which cannot be extended, in 2021.

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 which fall within the limits determined in the treasury policy in order to minimize counterparty risk;
- the use of instruments which match, to the extent possible, the characteristics of the risk hedged;
- monitoring of the adequacy 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.

Upon 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 recognized 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 recognized in net equity are subsequently transferred to the income statement in the period in which the hedged transaction 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 (basis adjustment); any ineffectiveness of the hedge is recognized in profit and loss.

The Group's hedging strategy is reflected in the accounts described above beginning 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 neutralized 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, proven expectation that the hedge will be highly effective for the period in which the hedged risk exists;
- the hedged risk relates to changes in cash flow due to a future transaction, the latter is highly probable and entails exposure to changes in cash flow which could affect profit and loss.

Derivatives are recognized as assets if their fair value is positive and as liabilities if their fair value is negative. These balances are shown under current assets or liabilities if related to derivatives which do not qualify for hedge accounting, while in other cases 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 any hedges of net investments in place.

43 TRANSLATION OF FOREIGN COMPANIES' FINANCIAL STATEMENTS

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

	12/31/2019		12/31/2018	
	Average exchange rate	Year-end exchange rate	Average exchange rate	Year-end exchange rate
Panamanian balboa	1.1195	1.1234	1.181	1.145
Australian dollar	1.6109	1.5995	1.58	1.622
Canadian dollar	1.4855	1.4598	1.529	1.561
New Zealand dollar	1.6998	1.6653	1.707	1.706
Singapore dollar	1.5273	1.5111	1.593	1.559
US dollar	1.1195	1.1234	1.181	1.145
Hungarian florin	325.2967	330.53	318.890	320.98
Swiss franc	1.1124	1.0854	1.155	1.127
Egyptian lira	18.8383	18.0192	21.041	20.511
New Israeli shekel	3.9901	3.8845	4.242	4.297
Argentinian peso	53.8229	67.2749	32.909	43.159
Chilean peso	786.89	844.86	756.94	794.370
Colombian peso	3,674.52	3,688.66	3,486.74	3,721.81
Mexican peso	21.5565	21.2202	22.705	22.492
Brazilian real	4.4134	4.5157	4.309	4.444
Chinese renminbi	7.7355	7.8205	7.808	7.875
Indian rupee	78.8361	80.187	80.733	79.730
British pound	0.87777	0.8508	0.885	0.895
Polish zloty	4.2976	4.2568	4.262	4.301

44 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 segments 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, Poland and Israel), Americas (USA, Canada, Chile, Argentina, Ecuador, Colombia, Panama and Mexico) and Asia-Pacific (Australia, New Zealand, India and China).

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 segments (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 segment, 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 segment without being separated from the corporate functions which remain part of EMEA. All the information relating 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 2019

(€ thousands)	EMEA	AMERICAS	APAC	CORPORATE	ELIM.	CONSOLIDATED
Revenues from sales and services	1,253,880	285,346	187,791	5,046	-	1,732,063
Operating costs	(954,771)	(221,645)	(132,523)	(53,908)	-	(1,362,847)
Other income and costs	1,030	844	(279)	(221)	-	1,374
Gross operating profit by segment (EBITDA)	**300,139**	**64,545**	**54,989**	**(49,083)**	**-**	**370,590**
Amortization, depreciation and impairment						
Intangible assets amortization	(38,012)	(5,582)	(9,228)	(7,712)	-	(60,534)
Tangible asset depreciation	(32,654)	(2,575)	(5,131)	(1,588)	-	(41,948)
Right-of-use depreciation	(74,242)	(3,769)	(10,035)	-	-	(88,047)
Impairment losses and reversals of non-current assets	(2,792)	(70)	(109)	-	-	(2,970)
	(147,700)	**(11,996)**	**(24,503)**	**(9,300)**	**-**	**(193,499)**
Operating result by segment	**152,439**	**52,549**	**30,486**	**(58,383)**	**-**	**177,091**
Financial income, expenses and value adjustments to financial assets						
Group's share of the result of associated companies valued at equity	188	-	-	-	-	188
Other income and expenses, impairment and revaluations of financial assets						3
Interest income and expenses						(14,387)
Interest expenses on lease liabilities						(11,357)
Other financial income and expenses						(581)
Exchange gains and losses						(445)
Gain (loss) on assets accounted at fair value						(373)
						(26,952)
Net profit (loss) before tax						**150,139**
Current and deferred income tax						
Current income tax						(47,331)
Deferred tax						5,716
						(41,615)
Total net profit (loss)						**108,524**
Minority interests						(142)
Net profit (loss) attributable to the Group						**108,666**

INCOME STATEMENT – FY 2018

	EMEA	AMERICAS	APAC	CORPORATE	ELIM.	CONSOLIDATED
Revenues from sales and services	952,337	231,818	174,520	3,559	-	1,362,234
Operating costs	(776,271)	(185,982)	(130,926)	(40,074)	-	(1,133,253)
Other income and costs	2,559	357	185	(6,615)	-	(3,514)
Gross operating profit by segment (EBITDA)	**178,625**	**46,193**	**43,779**	**(43,130)**	**-**	**225,467**
Amortization, depreciation and impairment						
Intangible assets amortization	(19,062)	(4,015)	(7,977)	(5,919)	-	(36,973)
Tangible asset depreciation	(26,593)	(1,239)	(5,589)	(922)	-	(34,343)
Impairment losses and reversals of non-current assets	(741)	-	(100)	-	-	(841)
	(46,396)	**(5,254)**	**(13,666)**	**(6,841)**	**-**	**(72,157)**
Operating result by segment	**132,229**	**40,939**	**30,113**	**(49,971)**	**-**	**153,310**
Financial income, expenses and value adjustments to financial assets						
Group's share of the result of associated companies valued at equity	426	-	-	-	-	426
Other income and expenses, impairment and revaluations of financial assets						44
Interest income and expenses						(13,245)
Other financial income and expenses						(925)
Exchange gains and losses						(864)
Gain (loss) on assets measured at fair value						(170)
						(14,734)
Net profit (loss) before tax						138,576
Current and deferred income tax						
Current income tax						(36,364)
Deferred tax						(1,802)
						(38,166)
Total net profit (loss)						**100,410**
Minority interests						(33)
Net profit (loss) attributable to the Group						**100,443**

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31ST, 2019 (*)

(€ thousands)	EMEA	AMERICAS	APAC	ELIM.	CONSOLIDATED
Assets					
Non-current assets					
Goodwill	839,802	126,418	249,291	-	1,215,511
Intangible fixed assets with finite useful life	291,674	30,257	45,577	-	367,508
Tangible fixed assets	158,390	10,450	27,739	-	196,579
Right-of-use assets	361,739	18,300	38,390	-	418,429
Equity-accounted investments	2,314	-	-	-	2,314
Hedging instruments	8,153	-	-	-	8,153
Deferred tax assets	73,434	3,400	4,593	-	81,427
Deferred contract costs	7,046	222	71	-	7,339
Other assets	25,270	41,256	990	-	67,516
Total non-current assets					**2,364,776**
Current assets					
Inventories	55,834	4,433	4,325	-	64,592
Receivables	217,387	50,814	26,722	(18,151)	276,772
Deferred contract costs	4,176	122	88	-	4,386
Hedging instruments	2,201	-	-	-	2,201
Other financial assets					240
Cash and cash equivalents					138,371
Total current assets					**486,562**
Total assets					**2,851,338**
Liabilities					
Net Equity					**696,115**
Non-current liabilities					
Medium/long-term financial liabilities					750,719
Lease liabilities					343,040
Provisions for risks and charges	17,620	32,406	264	-	50,290
Liabilities for employees' benefits	24,143	130	1,008	-	25,281
Hedging instruments	4,290	-	-	-	4,290
Deferred taxes	70,398	21,265	10,448	-	102,111
Payables for business acquisitions	12,876	651	0	-	13,527
Contract liabilities	124,540	8,530	1,982	-	135,052
Other long-term liabilities	8,466	183	-	-	8,649
Total non-current liabilities					**1,432,959**
Current assets					
Trade payables	127,909	40,928	23,571	(15,018)	177,390
Payables for business acquisitions	9,257	988	-	-	10,245
Contract liabilities	81,557	8,332	7,836	-	97,725
Other payables and tax payables	165,279	9,657	14,754	(3,133)	186,557
Hedging instruments	28	-	-	-	28
Provisions for risks and charges	3,650	592	-	-	4,242
Liabilities for employees' benefits	478	67	-	-	545
Short-term financial liabilities					163,947
Lease liabilities					81,585
Total current liabilities					**722,264**
Total liabilities					**2,851,338**

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

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31ST, 2018 (*)

(€ thousands)	EMEA	AMERICAS	APAC	ELIM.	CONSOLIDATED
Assets					
Non-current assets					
Goodwill	793,469	122,184	245,945	-	1,161,598
Intangible fixed assets with finite useful life	284,351	24,985	50,066	-	359,402
Tangible fixed assets	155,346	9,807	23,815	-	188,968
Equity-accounted investments	2,025	-	-	-	2,025
Hedging instruments	3,725	-	-	-	3,725
Deferred tax assets	69,295	1,624	4,285	-	75,204
Deferred contract costs	5,391	137	66		5,594
Other assets	22,360	37,537	782	-	60,679
Total non-current assets					**1,857,195**
Current assets					
Inventories	53,286	5,084	3,343	-	61,713
Receivables	184,712	42,338	17,420	(1,636)	242,834
Deferred contract costs	3,660	120	73	-	3,853
Other financial receivables					60
Cash and cash equivalents					89,915
Total current assets					**398,375**
Total assets					**2,255,570**
Liabilities					
Net Equity					**595,947**
Non-current liabilities					
Medium/long-term financial liabilities					872,669
Provisions for risks and charges	21,862	27,240	517	-	49,619
Liabilities for employees' benefits	18,368	177	1,745	-	20,290
Hedging instruments	1,957	-	-	-	1,957
Deferred tax assets liabilities	69,677	17,337	11,918	-	98,932
Payables for business acquisitions	15,827	309	-	-	16,136
Contract liabilities	110,228	6,859	1,704	-	118,791
Other long-term liabilities	6,521	13	877	-	7,411
Total non-current liabilities					**1,185,805**
Current liabilities					
Trade payables	123,002	39,716	12,011	(1,629)	173,100
Payables for business acquisitions	11,732	711	200	-	12,643
Short-term contract liabilities	77,977	7,606	8,109	-	93,692
Other payables and tax payables	134,058	6,729	10,038	(7)	150,818
Hedging instruments	58	-	-	-	58
Provisions for risks and charges	3,813	1,103	-	-	4,916
Liabilities for employees' benefits	410	66	-	-	476
Short-term financial liabilities					38,115
Total current liabilities					**473,818**
Total liabilities					**2,255,570**

(*) The items in the statement of financial position are analyzed by the CEO and Top Management by geographic area without being separated from the Corporate functions which are included in EMEA.
(*) 2018 Balance Sheet has been revised for the allocation of the GAES acquisition price, see note 4

45 ACCOUNTING POLICIES

45.1 PRESENTATION OF FINANCIAL STATEMENTS

The consolidated financial statements at 31 December 2019 were prepared in accordance with the historical cost method with the exception of derivatives, a few financial investments measured at fair value and assets and liabilities hedged against changes in fair value, as explained in more detail in this report, as well as on an ongoing concern basis.

With regard to reporting formats:
- in the statement of financial position, the Group distinguishes between non-current and current assets and liabilities;
- in the income statement, the Group classifies costs by nature insofar as this is deemed to more accurately represent the primarily commercial and distribution activities carried out by the Group;
- in addition to the net profit for the period, the statement of comprehensive income also shows the impact of exchange rate differences, changes in the hedging reserve and actuarial gains and losses that are recognized directly in equity; these items are subdivided based on whether they may subsequently be reclassified to profit or loss;
- in the statement of changes in net equity, the Group reports all the changes in net equity, including those deriving from shareholder transactions (payment of dividends and capital increases);
- the statement of cash flows is prepared using the indirect method to determine cash flow from operations.

45.2 USE OF ESTIMATES IN PREPARING THE FINANCIAL STATEMENTS

The preparation of the financial statements and explanatory notes requires the use of estimates and assumptions particularly with regard to the following items:
- revenues from services rendered over time recognized based on the effort or the input expended to satisfy the performance obligation;
- allowances for impairment made based on the asset's estimated realizable value;
- provisions for risks and charges made based on a reasonable estimate of the amount of the potential liability, including with regard to any counterparty claims;
- provisions for obsolete inventory in order to align the carrying value of inventory with the estimated realizable value;
- provisions for employee benefits, calculated based on actuarial valuations;
- amortization and depreciation of tangible and intangible fixed assets recognized based on the estimated remaining useful life and the recoverable amount;
- income tax recognized based on the best estimate of the 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 market exchange rates, which are subject to credit/debit valuation adjustments based on market prices;
- the lease term duration was determined on a lease-by-lease basis and is comprised of the "non-cancellable" period along with the impact of any extension or early termination clauses if exercise of that clause is reasonably certain. This property valuation took into account circumstances and facts specific to each asset;
- the discount rate (incremental borrowing rate) applied to future lease payments was determined using the risk-free rate in the country where the agreement was executed, with expirations consistent with the term of the specific lease agreement plus the parent's credit spread and any costs for additional guarantees. . On the rare occasions when the IRS rate is not available (Egypt,

Ecuador, Mexico and Panama), the risk-free rate was calculated using government bond rates for securities with a similar duration.

Estimates are periodically reviewed and any adjustments due to changes in the circumstances which determined such estimates or additional information becoming available are recognized 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 and quarterly if there are indicators of impairment. This calls for an estimate of the value in use of the cash-generating unit to which the goodwill has been allocated based on the estimated future cash flows and the after-tax discount rate consistent with market conditions at the date of the valuation.

45.3 INTERNATIONAL FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS APPROVED BY THE IASB AND ENDORSED IN EUROPE

The following table lists the IFRS/interpretations approved by the IASB, endorsed in Europe and applied for the first time this year.

Description	Endorsement date	Publication	Effective date	Effective date for Amplifon
IFRS 16 "Leases"	31 Oct '17	9 Nov '17	Periods beginning on or after 1 Jan '19	1 Jan '19
Amendments to IFRS 9 "Financial instruments – elements of prepayment with negative compensation"	22 Mar '18	26 Mar '18	Periods beginning on or after 1 Jan '19	1 Jan '19
IFRIC 23 "Uncertainty over income tax treatments"	23 Oct '18	24 Oct '18	Periods beginning on or after 1 Jan '19	1 Jan '19
Annual improvement cycle of the IFRS (2015-2017)	14 Mar '19	15 Mar '19	Periods beginning on or after 1 Jan '19	1 Jan '19
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	8 Feb '19	11 Feb '19	Periods beginning on or after 1 Jan '19	1 Jan '19
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	13 Mar '19	14 Mar '19	Periods beginning on or after 1 Jan '19	1 Jan '19

In addition to IFRS 16 "Leases" already described in note 3, the IFRS and the IASB interpretations approved and endorsed for adoption in Europe in the year include:

- **Amendments to IFRS 9: "Prepayment Features with Negative Compensation"**
  The amendments of IFRS 9 aim to clarify the classification of certain financial assets which may be prepaid under IFRS 9.

- **IFRIC 23 "Uncertainty over Income Tax Treatments"**
  The interpretation provides guidelines as to how to account for uncertainty over income tax treatments adopted by the Group when recognizing income tax.

- **Annual Improvements to IFRS Standards 2015-2017 Cycle**
  The improvements relate to the following standards:
  - IAS 12 *Income Taxes*: accounting of the tax effect of dividends on financial instruments classified as equity;
  - IAS 23 *Borrowing Costs*: classification of loans relating to qualifying assets at the time that the assets are ready for use or sale;
  - IFRS 3 *Business Combination* and IFRS 11 *Joint Arrangements*: accounting of the control of a business which is classified as a joint operation.

- **Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures**
  These amendments aim to clarify the application of IFRS 9 when accounting for long-term interest in associates or joint ventures that form part of the investment net in the associate or joint venture.

- **Amendments to IAS 19: Plan Amendment, Curtailment or Settlement**
  The amendments clarify how to determine pension costs when a change in defined benefit plan occurs.

With regard to the standards and interpretations described above, adoption did not have a material impact on the valuation of the Group's assets, liabilities, costs and revenues, nor on the information provided in the Group's consolidated financial statements.

Please refer to note 3 for more information about the impact of IFRS 16 adoption.

45.4 FUTURE ACCOUNTING PRINCIPLES AND INTERPRETATIONS

The following table lists the IFRS/interpretations approved by the IASB and endorsed in Europe for mandatory adoption subsequent to 31 December 2019.

Description	Effective date
IFRS 17 *"Insurance Contracts" (issued on 18 May 2017)*	Financial years beginning on or after 1 Jan '21
Amendments to the *Conceptual Framework of the IFRS (issued on 29 March 2018)*	Financial years beginning on or after 1 Jan '20
Amendments to IFRS 3: *"Business Combinations" (issued on 22 October 2018)*	Financial years beginning on or after 1 Jan '20
Amendments to IAS 1 and IAS 8: *"Definition of Material" (issued on 31 October 2018)*	Financial years beginning on or after 1 Jan '20
Amendments to IFRS 9, IAS 39 and IFRS 7: *"Interest Rate Benchmark Reform" (issued on 26 September 2019)*	Financial years beginning on or after 1 Jan '20
Amendments to IAS 1: *"Presentation of Financial Statements – Classification of liabilities as current or non-current" (issued on 23 January 2020)*	Financial years beginning on or after 1 Jan '22

- **IFRS 17 Insurance Contracts**
  New reporting standard for the accounting of insurance contracts which will substitute IFRS 4 which aims to improve the users of financial statements understanding of the effect that insurance contracts have on an insurer exposure to risk, profitability and financial position. gives a

- **Amendments to the Conceptual Framework of the IFRS**
  In March 2018 IASB published a revised version of the Conceptual Framework for Financial Reporting ("Conceptual Framework") and, at the same time, updated the references made in the IFRS to the previous Conceptual Framework.

- **Amendments to IFRS 3 Business Combinations**
  IASB issued a definition of "business" in order to resolve problems encountered by an entity when determining if it acquired a business or a group of assets.

- **Amendments to IAS 1 and IAS 18: definition of material**
  IASB issued a definition of "material" in order to align the definition used in the Conceptual Framework and in the regulations.

- **Amendments to IFRS 9, IAS 39 and IFRS 7: "Interest Rate Benchmark Reform"**
  In September 2019 IASB issued *Interest Rate Benchmark Reform (Amendments to* IFRS 9, IAS 39

and IFRS 7), which modified the provisions relating to hedge accounting in IFRS 9 and IAS 39.

- **Amendments to IAS I: "Presentation of Financial Statements – Classification of liabilities as current or non-current"**
  IASB clarified how to classify payables and other liabilities as current or non-current.

The adoption of the standards and interpretations above is not expected to have a material impact on the valuation of the Group's assets, liabilities, costs and revenues.

45.5 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 a majority of the votes that can be cast at ordinary Shareholders' meetings; (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 at ordinary Shareholders' meetings 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.

45.6 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 and joint ventures.
A joint operation is a joint arrangement whereby 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 proportionate share of the 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.

45.7 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, an investment in an associate is recognized at cost in the statement of financial position 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.

45.8 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 assumed, or the shares transferred to the seller in order to obtain control;
- acquisition- costs related to business combinations are recognized 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 measured 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 recognized 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 carrying amounts of assets, liabilities and contingent liabilities recorded differ from their corresponding tax base at the acquisition date, deferred tax assets and liabilities are recognized;
- any difference between the acquisition cost of the investment and the corresponding share of the net assets acquired is recorded as goodwill, if positive, or 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.

45.9 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 recognized 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 recognized in the income statement.

45.10 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 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 amortized systematically over their useful lives and written down for impairment (see section 45.13). Amortization begins when an asset is available for use and ceases at the time of termination of the useful life or when an asset is classified as held for sale (or included in a disposal group classified as held for sale). Both the useful life and the amortization criterion are periodically reviewed and, where significant changes have occurred compared to the previously adopted assumptions, the amortization charge for the current year and subsequent ones is adjusted.

The periods of amortization are shown in the following table:

Asset type	Years
Software	3-5
Licenses	1-15
Non-competition agreements	5
Customer lists	10-20
Trademarks and concessions	3-15
Other	5-9

45.11 GOODWILL

Goodwill is recognized 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 amortized but valued at cost less any cumulative impairment losses (see section 45.13).

45.12 TANGIBLE FIXED ASSETS

Tangible fixed assets are recorded at purchase or production cost, inclusive of ancillary costs that are directly attributable to the assets.

The carrying amount 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 section 45.13). 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 remaining useful life of the asset.

Leasehold improvements, such as to premises, shops and branches held under operating leases, are capitalized 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	5-25
Plant and machinery	5-16
Industrial and commercial equipment	4-10
Motor vehicles	3-9
Computers and office machinery	3-7
Furniture and fittings	3-10
Other tangible fixed assets	4-8

45.13 IMPAIRMENT OF INTANGIBLE FIXED ASSETS, TANGIBLE FIXED ASSETS, INVESTMENTS IN ASSOCIATED COMPANIES AND GOODWILL

The Group checks 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 amount 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 with reference to the present value of the estimated future 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 specific asset cannot be determined due to the fact that the asset does not generate independent cash flows, value in use is estimated with reference to the cash-generating unit to which the asset belongs.

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 recognized in the income statement when the carrying value of an 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 cannot, however, exceed the carrying value that the asset would have had (net of the write-down or depreciation) if the impairment had not been recognized in previous years. The reversal is immediately recognized in the income statement.

45.14 LEASES

When a contract is signed the Group assesses whether a contract is or contains a lease, namely if the contract conveys the right to use an asset for a period of time in exchange for consideration.

Accounting policies applicable to the Group as a lessee
The Group uses a single model to recognize and measure all leases, with the exception of short-term leases and leases for low value assets. The Group recognizes the lease liabilities and the right-of-use asset, namely the right to use the lease's underlying asset.

Right-of-use assets
The Group recognizes the right-of-use assets as of the commencement date of the lease (namely the date on which use of the underlying asset is conveyed). The right-of-use assets are valued at cost, net of any accumulated depreciation and impairment losses, adjusted to reflect any restated lease liabilities. The costs for the right-of-use assets include the lease liabilities recognized, the initial direct costs incurred and the lease payments made as of the commencement date or before the commencement date net of any incentives received.
The right-of-use assets are amortized on a straight-line basis from the commencement date to the end of their useful life consistent with the right granted or, if before, the end of the lease term.

The right-of-use assets are subject to impairment testing. Please refer to section 45.13. *Loss of value of non-financial assets.*

Lease liabilities
At the commencement date of the lease, the Group recognizes a lease liability equal to the payments that must be made in the future under the lease. The payments owed include fixed lease payments less any lease incentives, variable lease payments linked to an index or a rate, and the guaranteed residual amount due. The lease payments also include the exercise price of a purchase price if it is reasonably certain that the option will be exercised and any penalties for terminating the lease contemplated in the lease.

Variable lease payments that are not linked to an index or a rate are recognized as a cost in the period (unless incurred for the production of inventory) in which the event or the condition triggering the payment occurred.
When calculating the present value of payments owed, the Group uses the marginal borrowing rate at the commencement date if the implied borrowing rate is not easily determined. After the commencement date the amount of the lease liabilities will be increased in order to reflect interest owed and decreased to reflect payments made. The book value of the lease liabilities will also be restated if any changes are made to the lease terms or payment terms; it will also be restated if the value of the purchase option on the underlying asset is changed or if any changes in the index or rate used to determine future payments occur.

Short-term leases and low value assets
The Group applies the exemption relative to leases for low value assets like, for example PCs, printers, electronic equipment and short-term leases, namely leases with a term of less than 12 months without purchase options, with the exception of the assets classed as "stores". The rent payable under short-term leases and leases for low value assets are recognized as costs on a straight-line basis over the lease term.

The Group as lessor
Leases which leave all the risks and benefits associated with ownership of the asset are classified as operating leases. Lease income stemming for the operating lease must be recognized on a straight-line basis over the lease term and recognized as revenue in the income statement. The initial negotiation costs are added to the book value of the leased asset and are recognized on a straight-line basis over the lease term. Unplanned leases are recognized as revenue in the period in which they mature.

Subleases
The Group, as an intermediate lessor, classifies a sublease as a finance or operating lease as follows:

a) If the head lease is accounted for as a short-term lease, the sublease is classified as an operating lease;
b) otherwise, the sublease is classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset (for example, property unit, leased plants or machinery).

More in detail, if the sub-lease is classified as an operating lease, the head lessor continues to recognize the lease liabilities and the right-of-use assets in the head lease like any other lease.
If the net book value of the right-of-use asset in the head lease exceeds the income expected from the sub-lease, this might indicate that there has been a loss in the value of the right-to-use asset in the head lease. The loss in value of a right-of-use asset is measured in accordance with IAS 36.

If the sub-lease is classified as a finance lease, the head lessor eliminates the right-of-use asset from the head lease as of the commencement date of the sub-lease and continues to recognize the original lease liability as per the lessee's accounting model.

45.15 FINANCIAL ASSETS AND LIABILITIES

45.15.1 Financial assets (excluding derivatives)
The Group's financial assets are classified based on the business model used to manage them and the nature of the relative cash flows.

a) Financial assets valued at amortized cost

Financial assets that meet the following requirements are classified in this category:

(i) assets held as part of a business model where the objective of the entity's business model is collecting contractual cash flows; and
(ii) the cash flows contemplated under the contract refer solely to payments of principal and interest on the amount of principal to be repaid.

These are mainly trade receivables, loans and other receivables.

The trade receivables without a significant financing component are recognized at the price of the relative transaction (determined in accordance with IFRS 15 Revenue from contracts with customers).

The other receivables and loans are recognized in the financial statements at fair value plus any ancillary costs attributable directly to the transactions that generated them.

After initial recognition, the effective interest rate applied to financial assets measured at amortized cost (with the exception of receivables without a significant financing component) is used to determine interest income which is recognized in profit or loss.

Impairment of the receivable is measured based on the expected loss.

The Group used a simplified approach to measure trade receivables which does not call for periodic adjustments of the credit risk nor of the expected credit loss ("ECL") calculated over the life of the receivable ("lifetime ECL").
More in detail, the policy implemented by the Group calls for the stratification of trade receivables broken down into similar risk categories. Different percentages of impairment are applied to these categories based on the expected level of recoverability which refer to historical percentages and any forward-looking elements that could affect recoverability. The trade receivables are written off entirely if there is not a reasonable expectation of recoverability (i.e. past due above a certain level, bankruptcy and/or legal proceedings).

The Group uses a general approach for the measurement of the long-term financial receivables relating to the loans granted by American subsidiaries to franchisees and members of the Elite network in order support investment and development in the United States which requires the checking of any increase in the credit risk at the end of each reporting period.

Impairment recognized pursuant to IFRS 9 is presented in the income statement, net of any positive effects stemming from releases or reversals, as operating costs.

b) Financial assets at fair value recognized through the comprehensive income statement ("FVOCI")

Financial assets that meet the following requirements are classified in this category:
(i) assets held as part of a business model where the objective of the entity's business model is collecting contractual cash flows and selling the assets; and
(ii) the cash flows contemplated under the contract refer solely to payments of principal and interest on the amount of principal to be repaid.

These include trade receivables that the Group sometimes used in factoring without recourse transactions.

These assets are initially recognized in the financial statements at their fair value plus any ancillary costs directly attributable to the transactions generating them. After initial recognition, the measurement is updated and any changes in fair value are recognized in the comprehensive income statement.

The impairment model used is describe in a) above.

c) Financial assets at fair value recognized through the consolidated income statement (“FVPL”)

Financial assets which are not classified in the other categories (i.e. residual category). These are mainly derivatives.

Assets belonging to this category are initially recognized at fair value.

The ancillary costs incurred when the asset is recognized are immediately recognized in the consolidated income statement. After initial recognition the FVPL are measured at fair value.

The gains and losses stemming from changes in fair value are recognized in the consolidated income statement for the reporting period under “Gains (losses) from assets measured at fair value”.

The purchases and disposals of financial assets are accounted for on the settlement date.

Financial assets are derecognized from the financial statements when the related contractual rights expire, or when the Group transfers all the risks and rewards of ownership associated with the financial asset.

45.15.2 Financial liabilities (excluding derivatives)

Financial liabilities include financial payables, lease obligations and trade payables. Amounts payable to banks and other lenders are initially recognized at fair value less any directly attributable transaction costs and subsequently valued at amortized cost based on the effective interest rate. If there is a change in the forecast cash flow the value of the liabilities is recalculated in order to reflect this change based on the present value of the new future cash flows and the internal rate of return initially determined.

Whenever legal rights to compensation arise, the Group decides whether or not to show cash and cash equivalents net of bank overdrafts.

Trade payables are obligations to pay for goods and services acquired from suppliers as part of general business operations. The amounts owed suppliers are classified as current liabilities if the payment will be made within a year of the relative reporting period. Conversely, these payables are classified as non-current liabilities.

The trade and other payables are initially measured at fair value and subsequently using the amortized cost 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 amortized cost calculation. These changes are amortized starting from the moment fair value hedge accounting is discontinued.

With regard to lease liabilities, please refer to section 45.14. Leasing.

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

In the case of put and call granted to minority shareholders and which guarantee them the settlement in cash in exchange for available liquidity or other financial assets, the Group, in accordance with IAS 32, records a financial liability equal to the best estimate of the exercise price of the option. This liability is subsequently remeasured at each closing date. Based on the Group’s accounting policy any change in the value of the liability is recognized in net equity.

45.15.3 Derivative financial instruments

As of 1 January 2019 the Amplifon Group opted to apply the provisions of IFRS 9 relating to hedge accounting, rather than the provisions of IAS 39 used in the past.

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 section 10).

The documentation which formalizes the hedging relationship for the purpose of the application of hedge accounting includes the identification of:

- the hedging instrument;
- the hedged item or transaction;
- the nature of the risk;
- the methods that the company intends to adopt to assess the effectiveness of the hedge 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 recognized 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 recognized;

(iii) if these instruments qualify as cash flow hedges, starting from that date, any changes in the fair value of the derivative are recognized in net equity, but only to the extent of the effective amount of the hedge, with the amount of any hedge ineffectiveness being recognized in the income statement; changes in the fair value of the derivative that are recognized 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 recognized 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 a hedging instrument; conversely, fair value changes of options due to changes in the time value are recognized 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 fair value changes due to changes in the forward points are recognized 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 amortized 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 recognized 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.

45.16 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.

45.17 CASH AND CASH EQUIVALENTS AND FINANCIAL ASSETS

The item cash and cash equivalents comprise 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.

45.18 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 recognized 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 recognized 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.

45.19 EMPLOYEES' BENEFITS

Post-employment benefits are defined on the basis of pension plans, even if not formalized, 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 recognized in other comprehensive income.

Net financial charges on defined-benefit plans are recognized in profit or loss under financial income and charges.

45.20 STOCK OPTIONS AND STOCK GRANTS

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 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.

For equity settled stock options and stock grants, fair value is recognized in the income statement under personnel expenses over the period 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 expected 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 net equity is recognized at the end of the vesting period.

45.21 REVENUES

Revenues from contracts with costumers

The revenues from contracts with customers are recognized in accordance with IFRS 15.

Based on the five-step model introduced in IFRS 15, the Group records revenue after having identified the contracts with its customer and the relative performance obligations (transfer of control of goods and/or services), determined the consideration to which it is entitled upon satisfaction of each of the obligations, as well as the way these obligations will be satisfied (at a point in time or over time).

The Group will recognize revenue once the above steps have been taken (identification of the contract with the customer) and it is involved in fulfilling the respective obligations; and it is probable that the Group will receive the consideration to which it is entitled in exchange for the goods and services transferred to the customer.

The main performance obligations identified by the Amplifon Group involve: the hearing aid and fitting, which represent a single inseparable performance obligation, after sales care, extended warranties which are above and beyond normal supplier warranties, the material rights (discounts on future purchases and loyalty points) and accessories (batteries, cleaning kits) provided to the customer.

The goods and services may be sold separately or bundled.

The transaction price, which represents the amount the entity expects to receive from the customer for the goods and services provided, is allocated based on the stand-alone selling prices of the relative performance obligations.

The stand-alone selling price is determined based on observable prices when available, while for goods and services not sold separately (for example after sales services) and when observable market prices are not available the cost plus a margin method is used.

Any commercial discounts are allocated to the different performance obligations that make up the bundle sold to the customer, with the exception of after sales services in proportion to the weight of the relative stand-alone selling price.

Revenues are recognized when control of the goods and services has been transferred to the customer and performance obligations have been satisfied. This can happen at a point in time or over time.

Revenues realized over time, represented typically by after sales services, extended warranties, and accessories supplied over time, are recognized based on the level to which the different contractual performance obligations have been satisfied. More in detail, transfer over time is measured based on the input method, namely taking into account the work done (inputs) by the Group to fulfill each performance obligation.
The up-front fee paid by franchisees is considered a revenue stream generated over time and is recognized over the life of the franchising agreement.

Revenues realized at a point in time refer to the transfer of goods and services that the customer receives and consumes at the same time.

These are generally attributable to the sale of hearing aids and relative fitting, accessories and a few services that are sold separately. In these situations, revenue is recorded when control of the good of service is transferred to the customer.

The performance obligation to transfer control of the goods and services over time is recognized under "Contractual liabilities".

The Group incurs costs to acquire and fulfill contracts over time. These costs, which typically include commissions and bonuses paid to employees and agents for each sale made that will be recovered through the revenues generated by the contract, are capitalized as contract costs and amortized based on the progress made in transferring the goods and services to the customer over time.

The contract costs are recognized as assets in a specific line of the financial statement (Short-term and long-term deferred assets arising from contract costs).

45.22 DIVIDENDS

The dividends are recognized as profit (loss) for the year only when:
a) the entity's right to receive a dividend arises;
b) it's likely that the economic benefits stemming from the dividend will flow to the entity; and
c) the amount of the dividend can be reliably measured.

45.23 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 recognized on temporary differences between the value of assets and liabilities in the financial statements and the corresponding tax bases.

Deferred income taxes are not recognized: (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 the 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 recognized 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 recognized in the income statement on the temporary difference arising as a result of the revaluation.

The current and deferred tax assets and liabilities must be recognized and measured in accordance with IAS 12 based on the taxable income (losses), the amounts for tax purposes, unused tax losses, unused tax credits, and tax rates determined based on IFRIC 23.

45.24 VALUE ADDED TAX

Revenues, costs and assets are recognized 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 recognized 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.

45.25 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 of net equity.

Purchases and disposals of treasury shares, as well as any gains or losses on purchase/disposal, are recognized 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.

45.26 EARNINGS (LOSS) PER SHARE

Earnings per share is determined by comparing the Group's net profit to the weighted-average number of shares outstanding during the accounting period. For the calculation of diluted earnings per share, the weighted average number of shares outstanding is adjusted assuming the conversion of all potential shares with a dilutive effect.

45.27 ACCOUNTING STANDARDS FOR HYPERINFLATIONARY COUNTRIES

The group companies operating in hyperinflationary countries (Argentina) restate non-monetary assets and liabilities found in their original financial statements in order to eliminate any distortions due to the currency's loss of purchasing power. The inflation rate used in this instance corresponds with the consumer price index.

The companies operating in countries in which the cumulative three-year rate of inflation is close to or exceeds 100% use the hyperinflationary accounting measures and cease to do so when the cumulative three-year rate of inflation falls below 100%.

The gains or losses on the net monetary position are recorded in the income statement.

The financial statements drafted in currencies other than the euro by Group companies operating in hyperinflationary countries are converted into euros based on the exchange rate at the end of the reporting period.

46 SUBSEQUENT EVENTS

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

After the close of the 2019 the acquisition of Attune Hearing (around 55 stores) in Australia was finalized for a total cash-out of around AUD 55 million (around €34 million). The transaction fits perfectly with Amplifon's strategy to further strengthen the company's position in the core Australian market, combining National Hearing Care's retail business with Attune's integrated medical model.

In February 2020 Amplifon also completed the successful placement of 350 million euros in senior unsecured non-convertible bond notes. This placement is consistent with Amplifon's goal to constantly optimize its financial structure by diversifying the sources of funding and extending the average debt maturity. The proceeds will be used to refinance existing debt and for general corporate purposes.

During the months of January and February 2020 the company continued its stock grant remuneration program and granted 57,260 treasury shares.
At the date of the above financial statements, the total of treasury shares in portfolio amounted to 3,211,827, corresponding to 1.419% of the company share capital.

In March 2020 the epidemic linked to Covid-19 (the Coronavirus), which initially affected China and a few other Asian countries, expanded rapidly, beginning in Italy, subsequently in the rest of Europe, followed by the United States and, the rest of the world, in general. In this environment, Amplifon adopted all the necessary control and preventive measures, together with the local authorities, at both the corporate offices and the stores affected in order to protect the health of its customers, employees, partners and suppliers.
The Company feels that it is still not possible to estimate the impact that the epidemic will have in the year. There will be, however, a short-term negative effect on the hearing care market's demand, also due to the containment measures and the restrictions adopted or in the process of being adopted by the different governmental authorities.
The Company confirms, however, that it is already adopting all the operational and economic-financial measures possible to limit the impact of this short-term scenario. The Company also believes that the impact will be temporary and gradually offset when the situation is normalized, given both the non-discretional nature of the product offered and the fundamentals of the market, in which the Group operates, which remain intact as they are supported by secular trends like the aging of the population and the increase in penetration.

Milan, March 20th, 2020

On behalf of the Board of Directors
CEO

Enrico Vita

ANNEX I

CONSOLIDATION AREA

As required by articles 38 and 39 of Law 127/91 and article 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 2019.

PARENT COMPANY:

Company name	Head office	Currency	Share capital
Amplifon S.p.A.	Milan (Italy)	EUR	4,527,772

SUBSIDIARIES CONSOLIDATED USING THE LINE-BY-LINE METHOD:

Company name	Head office	Direct/Indirect ownership	Currency	Share Capital	% held as at 12/31/2019
Amplifon Rete	Milan (Italy)	D	EUR	11,750	4.35%
Otohub S.r.l.	Naples (Italy)	D	EUR	28,571	100.0%
Amplifon France SAS	Arcueil (France)	D	EUR	98,550,898	100.0%
SCI Eliot Leslie	Lyon (France)	I	EUR	610	100.0%
Conversons Paris 19 Sarl	Paris (France)	I	EUR	1,000	100.0%
Conversons Couëron SAS	Paris (France)	I	EUR	1,000	100.0%
Audiosons Nantes SAS	Paris (France)	I	EUR	16,000	100.0%
Amplifon France Holding	Arcueil (France)	D	EUR	1	100.0%
OLM SAS	Paris (France)	I	EUR	5,000	100.0%
Conversons 91	Paris (France)	I	EUR	14,000	100.0%
Conversons 93 Sarl	Paris (France)	I	EUR	10,000	100.0%
Conversons Lyon SAS	Paris (France)	I	EUR	1,000	100.0%
Entendre - Blandine Lannee SAS	Dax (France)	I	EUR	4,000	100.0%
Cap Audition SAS	La Rochelle (France)	I	EUR	10,000	100.0%
Laboratoire d'Audiologie Eric Hans SAS	Belfort (France)	I	EUR	380,000	100.0%
Audiolor SAS	Thionville (France)	I	EUR	7,125	100.0%
Audition Paca SAS	Thionville (France)	I	EUR	5,000	100.0%
Acovoux SAS	Paris (France)	I	EUR	50,000	100.0%
Audition-Assas.com Sarl	Paris (France)	I	EUR	201,000	100.0%
Espace de Correction Auditive SAS	Thionville (France)	I	EUR	7,500	100.0%
N France SAS	Mulhouse (France)	I	EUR	30,000	100.0%
Audiness SAS	Mulhouse (France)	I	EUR	30,000	100.0%
Correction Auditive Michèle HUC Sarl	Lyon	I	EUR	5,000	100.0%
Amplifon Iberica SA	Zaragoza (Spain)	D	EUR	26,578,809	100.0%
Fundación Amplifon Iberica	Madrid (Spain)	I	EUR	30,000	100.0%

Company name	Head office	Direct/Indirect ownership	Currency	Share Capital	% held as at 12/31/2019
Microson S.A.	Barcelona (Spain)	D	EUR	61,752	100.0%
Instituto Médico Auditivo S.L.U.	Valencia (Spain)	I	EUR	46,188	100.0%
Amplifon LATAM Holding S.L.	Barcelona (Spain)	I	EUR	3,000	100.0%
Auditiva 2014 S.A.	Andorra la Vella (Andorra)	I	EUR	3,000	100.0%
Amplifon Portugal SA	Lisboa (Portugal)	I	EUR	5,720,187	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%
Amplifon Nederland BV	Doesburg (The Nedtherlands)	D	EUR	74,212,052	100.0%
Auditech BV	Doesburg (The Nedtherlands)	I	EUR	22,500	100.0%
Electro Medical Instruments BV	Doesburg (The Nedtherlands)	I	EUR	16,650	100.0%
Beter Horen BV	Doesburg (The Nedtherlands)	I	EUR	18,000	100.0%
Amplifon Customer Care Service BV	Elst (The Nedtherlands)	I	EUR	18,000	100.0%
Amplifon Belgium NV	Bruxelles (Belgium)	D	EUR	495,800	100.0%
Amplifon Luxemburg Sarl	Luxembourg (Luxembourg)	I	EUR	50,000	100.0%
Amplifon RE SA	Luxembourg (Luxembourg)	D	EUR	3,700,000	100.0%
Amplifon Deutschland GmbH	Hamburg (Germany)	D	EUR	6,026,000	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	3,344,520	100.0%
Amplifon UK Ltd	Manchester (United Kingdom)	D	GBP	130,951,168	100.0%
Amplifon Ltd	Manchester (United Kingdom)	I	GBP	1,800,000	100.0%
Ultra Finance Ltd	Manchester (United Kingdom)	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%
Medtechnica Ortophone Ltd (*)	Tel Aviv (Israel)	D	ILS	1,100	80.0%
Medtechnica Ortophone Shaked Ltd (*)	Tel Aviv (Israel)	I	ILS	1,001	80.0%
Amplifon Middle East SAE	Cairo (Egypt)	D	EGP	3,000,000	51.0%
Miracle Ear Inc.	St. Paul (USA)	I	USD	5	100.0%
Elite Hearing, LLC	Minneapolids (USA)	I	USD	0	100.0%
Amplifon USA Inc.	Dover (USA)	D	USD	52,500,010	100.0%
Amplifon Hearing Health Care, Inc.	St. Paul (USA)	I	USD	0	100.0%
Ampifon IPA, LLC	New York (USA)	I	USD	0	100.0%
ME Pivot Holdings LLC	Minneapolis (USA)	I	USD	2,000,000	100.0%
Miracle Ear Canada Ltd.	Vancouver (Canada)	I	CAD	54,915,200	100.0%
Sound Authority, Inc.	Orangeville (Canada)	I	CAD	0	100.0%
2332325 Ontario Ltd.	Strathroy (Canada)	I	CAD	0	100,0%
6793798 Manitoba Ltd	Winnipeg (Canada)	I	CAD	0	100,0%
Grand River Tinnitus and Hearing Centre Ltd	Kitchener (Canada)	I	CAD	0	100,0%
Cobourg Hearing Ltd.	Cobourg (Canada)	I	CAD	0	100,0%

Company name	Head office	Direct/Indirect ownership	Currency	Share Capital	% held as at 12/31/2019
Ossicle Hearing Ltd.	Kelowna (Canada)	I	CAD	0	100,0%
2076748 Alberta Ltd.	Edmonton (Canada)	I	CAD	0	100,0%
2063047 Alberta Ltd.	Edmonton (Canada)	I	CAD	0	100,0%
Amplifon South America Holding LTDA	São Paulo (Brazil)	D	BRL	3,636,348	100,0%
GAES S.A.	Santiago de Chile (Chile)	D	CLP	1,381,655,108	100.0%
GAES Servicios Corporativo de Latinoamerica Spa	Santiago de Chile (Chile)	I	CLP	10,000,000	100.0%
Audiosonic Chile S.A.	Santiago de Chile (Chile)	I	CLP	1,000,000	100.0%
GAES S.A.	Buenos Aires (Argentina)	D	ARS	13,991,891	100.0%
GAES Colombia SAS	Bogotà (Colombia)	I	COP	21,803,953,043	100.0%
Soluciones Audiologicas de Colombia SAS	Bogotà (Colombia)	I	COP	45,000,000	100.0%
Audiovital S.A.	Quito (Ecuador)	I	USD	430,337	100.0%
Centros Auditivos GAES Mexico sa de cv	Ciudad de México (Mexico)	I	MXN	1,000,000	100.0%
Compañía de Audiologia y Servicios Medicos sa de cv	Aguascalientes (Mexico)	I	MXN	43,306,212	66.4%
GAES Panama S.A.	Panama (Panama)	I	PAB	510,000	100.0%
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%
Otohub Unit Trust (in liquidation)	Brisbane (Australia)	D	AUD	0	100.0%
Otohub Australasia Pty Ltd	Brisbane (Australia)	D	AUD	10	100.0%
Amplifon Asia Pacific Pte Limited	Singapore (Singapore)	I	SGD	1,000,000	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	Gurgaon (India)	I	INR	1,400,000,000	100.0%
NHanCe Hearing Care LLP (in liquidation) (**)	Gurgaon (India)	I	INR	1,000,000	0.0%
Beijing Cohesion Hearing Science &Technology Co. Ltd (***)	Bĕijïng (Cina)	D	CNY	2,000,000	100.0%
Tianjin Cohesion Hearing Science &Technology Co. Ltd (***)	Tianjin (China)	I	CNY	1,000,000	100.0%
Shijiazhuang Cohesion Hearing Science &Technology Co. Ltd (***)	Shijiazhuang (China)	I	CNY	100,000	100.0%

(*) Medtechnica Ortophone Ltd and its subsidiary Medtechnica Ortophone Shaked Ltd, despite being owned by Amplifon at 80%, are consolidated at 100% without exposure of non-controlling interest due to the put-call option exercisable from 2019 and related to the purchase of the remaining 20%.
(**) Consolidated company because the Amplifon Group has de facto control.
(***) Beijing Cohesion Hearing Science &Technology Co. Ltd., despite being owned by Amplifon at 51%, is consolidated at 100% without exposure of non-controlling interest due to the put-call option exercisable from 2022 and related to the purchase of the remaining 49%.

COMPANIES VALUED USING THE EQUITY METHOD:

Company name	Head office	Direct/Indirect ownership	Currency	Share Capital	% held as at 12/31/2019
Comfoor BV (*)	Doesburg (The Nedtherlands)	I	EUR	18,000	50.0%
Comfoor GmbH (*)	Emmerich am Rhein (Germany)	I	EUR	25,000	50.0%
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%

(*) Joint Venture
(**) Related companies

ANNEX II

INFORMATION PURSUANT TO ARTICLE § 149-DUODECIES OF CONSOB ISSUERS' REGULATIONS

The following table, prepared pursuant to article 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 2019 financial year.

Description	Subject that provided the service	Recipient	Fees paid in 2019
Independent audit services	KPMG S.p.A.	Parent company - Amplifon S.p.A.	267,000
Limited audit of the Non-Financial Disclosure	KPMG S.p.A.	Parent company - Amplifon S.p.A.	37,000
Certification services	KPMG S.p.A.	Parent company - Amplifon S.p.A.	6,000
Total – Parent Company			***310,000***
Independent audit services	KPMG Network	Subsidiaries	1,252,260
Services other than audits	KPMG S.p.A. e KPMG Network	Parent company - Amplifon S.p.A. and its subsidiaries	35,466
Total			**1,597,726**

During the Shareholders' Meeting held on 24 April 2018, shareholders set the total compensation at €1,120,000, of which €1,077,000 for audit, €37,000 for the limited audit of the Non-Financial Disclosure, and €6,000 for other certification services.

The increase with respect to the initial budgeted amount of €442,260 is attributable to:
- Increases relating to audits of the consolidated financial statements following Group acquisitions (GAES, acquisitions in France and Germany, net of the deconsolidation ofTurkey and Brazil): €165,796
- Increases linked to audits of statutory financial statements in the UK and the US requested by local management for business needs: €98,433
- One-off increase related to the audit of 2017-2018 statutory financial statements in the US linked to the above item (in the United States statutory financial statements have two years of comparative figures): €178,031

Services other than audits amount to €35,466 and refer to the preparation of VAT statements for Amplifon S.p.A, certifications for the capital increase of a French subsidiary, voluntary procedures relating to a few balances in the US financial statements, and the audit of Amplifon Iberica's Non-Financial Statement.

DECLARATION IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154-BIS OF LEGISLATIVE DECREE NO. 58/98

We, the undersigned, Enrico Vita, Chief Executive Officer and Gabriele Galli, Executive Responsible for Corporate Accounting Information for Amplifon S.p.A., taking into account the provisions of article 154-*bis*, paragraphs 3 and 4 of Law no. 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 2019.

We also certify that the consolidated financial statements at 31 December 2019:

- have been prepared in accordance with the international accounting standards recognized in the European Union under the EC regulation no. 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 area.

The report on operations includes a reliable operating and financial review of the Company and all of the companies included in the consolidation area as well as a description of the main risks and uncertainties to which they are exposed.

Milan, March 20th, 2020

CEO	**Executive Responsible for Corporate Accounting Information**
Enrico Vita	Gabriele Galli

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(Translation from the Italian original which remains the definitive version)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
Amplifon S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Amplifon Group (the "group"), which comprise the statement of financial position as at 31 December 2019, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Amplifon Group as at 31 December 2019 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of Amplifon S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of goodwill

Notes to the consolidated financial statements: note 5 "Acquisitions and goodwill" and note 45 "Accounting policies"

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 31 December 2019 include goodwill of €1,215.5 million, mainly arising from the significant acquisitions carried out in previous years. Annually or more frequently, if necessary, the directors check the recoverable amount of the goodwill by comparing its carrying amount to its value in use, calculated using a method that discounts expected cash flows. The key assumptions used to calculate value in use relate to the operating cash flows' forecasts over the calculation period and the discount and growth rates of those flows. The directors have forecast the operating cash flows for the explicit projection period (2020-2022) used for impairment testing on the basis of the 2020-2022 three-year plans approved by the subsidiaries' boards of directors and the group's business plan for the same period approved by the parent's board of directors on 17 December 2019. Considering the materiality of the caption and that impairment testing entails a high level of judgement by the directors, especially forecasting operating cash flows, the recoverability of goodwill was a key audit matter.	Our audit procedures, which also involved our own valuation specialists, included: — understanding the process adopted to prepare the impairment test approved by the parent's board of directors; — understanding the process adopted to prepare the 2020-2022 business plans from which the expected operating cash flows used for impairment testing have been derived; — checking any discrepancies between the previous year business plans' figures and actual figures, in order to check the accuracy of the estimation process adopted by the directors; — analysing the reasonableness of the assumptions used by the directors to determine the recoverable amount of goodwill, including the operating cash flows of the 2020-2022 plans used by the parent. Our analyses included comparing the key assumptions used to the subsidiaries' historical data and external information, where available; — checking whether the right-of-use assets (IFRS 16) had been appropriately included in the carrying amounts considered and whether the cash flows had been identified consistently for the purposes of determining the recoverable amount; — analysing the reasonableness of the assumptions underlying the valuation model used by the parent to calculate the recoverable amount of goodwill; — checking the sensitivity analysis made by the directors in relation to the main assumptions used to test goodwill for impairment;

Key audit matter	**Audit procedures addressing the key audit matter**
	— assessing the appropriateness of the disclosures provided in the notes.

Revenue recognition

Notes to the consolidated financial statements: note 30 "Revenue from sales and services" and note 45 "Accounting policies"

Key audit matter	**Audit procedures addressing the key audit matter**
The income statement includes revenue from sales and services of €1,732.1 million for 2019. The group recognises revenue from contracts with customers differently depending on when control over the goods or services is transferred to the customer and on the type of consideration to which it is entitled. Since sales, which generally cover a package of products and services at a stand-alone price, contain many contractual terms applied to customers, the group was required to identify and measure the various performance obligations and how they are satisfied. For the above reasons and considering the materiality of the caption, we believe that the recognition of revenue, and especially its accuracy and accruals-based accounting, are a key audit matter.	Our audit procedures included: — understanding the process for the recognition of revenue, the related IT environment and related accounting policies; — assessing the design, implementation and operating effectiveness of controls deemed material for the purposes of our audit; — comparing the main components of revenue to the budgeted and previous year figures and discussing the results with the relevant internal departments; — checking the documentation supporting a sample of sales, whether their performance obligations had been correctly identified, the transaction price allocated thereto and whether revenue has been recognised in profit or loss based on how the obligations were satisfied; — sending requests for written confirmation in order to obtain audit evidence supporting the trade receivables recognised in the consolidated financial statements; — assessing the appropriateness of the disclosures provided in the notes.

First-time adoption of IFRS 16

Notes to the consolidated financial statements: note 2 "Changes to the accounting policies" and note 3 "Impact due to the new accounting policies"

Key audit matter	Audit procedures addressing the key audit matter

The Amplifon Group adopted IFRS 16 "Leases" as of 1 January 2019.
As a first-time adopter, the group opted to apply IFRS 16 using the modified retrospective approach and, therefore, it did not restate the comparative figures and applied certain practical expedients provided for by the standard.
As disclosed in the notes to the consolidated financial statements, following the first-time adoption of the new standard on 1 January 2019, the group recognised right-of-use assets of €442.1 million and lease liabilities of €439.8 million.
The transition to IFRS 16 required complex valuations and the use of estimates which, by their very nature, are subjective, about:
— the assessment of whether a contract is, or contains, a lease;
— the determination of the lease term, considering the non-cancellable period and any options to extend or terminate the lease;
— the initial measurement of the lease liability at the present value of lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or the incremental borrowing rate;
— the determination of the useful life of the right-of-use assets for depreciation purposes and their impairment testing;
— the recognition of any lease modifications that occurred during the year;
— the remeasurement of the lease liability in the cases required by the standard other than lease modifications.
Considering the complexity and subjectivity of the above valuations and the materiality of the caption, the first-time adoption of IFRS 16 was a key audit matter.
	Our audit procedures, which also involved our own financial instrument specialists, included:
	— assessing the appropriateness of the accounting treatments applied on the basis of the requirements of IFRS 16, including the options and practical expedients available for its first-time adoption;
	— understanding the internal process for the transition to the new standard and the related IT environment and assessing the design and implementation of controls and performing procedures to assess the operating effectiveness of material controls;
	— for a sample of contracts that are or contain a lease:
	  – assessing the appropriateness of the lease term determination;
	  – checking the determination of the lease payments due over the lease term;
	  – assessing the reasonableness of the rate applied to discount the future lease payments;
	— checking the correctness of the useful lives applied to the right-of-use assets for depreciation purposes;
	— performing checks in relation to the impairment tests, as described in the "Measurement of goodwill" section;
	— assessing management's identification of the events that require the remeasurement of the lease liabilities and recalculating them;
	— assessing the appropriateness of the disclosures provided in the notes.

Comparative figures

The group's 2018 consolidated financial statements were audited by other auditors, who expressed their unqualified opinion thereon on 15 March 2019.

Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

— identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in this report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 20 April 2018, the parent's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2019 to 31 December 2027.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the parent in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The parent's directors are responsible for the preparation of the group's directors' report and report on corporate governance and ownership structure at 31 December 2019 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the group's consolidated financial statements at 31 December 2019 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the group's consolidated financial statements at 31 December 2019 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Statement pursuant to article 4 of the Consob regulation implementing Legislative decree no. 254/16

The directors of Amplifon S.p.A. are responsible for the preparation of a non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, we attested the compliance of the non-financial statement separately.

Milan, 23 March 2020

KPMG S.p.A.

(signed on the original)

Claudio Mariani
Director of Audit