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# INFORMATION DOCUMENT

Made available on April 23, 2021, prepared on a voluntary basis in accordance with the indications set out in Model 3 of Annex 3B, as referred to in Article 71 of the Regulation implementing Legislative Decree no. 58 of February 24, 1998, concerning the regulation of issuers, adopted by Consob Resolution no. 11971 of May 14, 1999, as amended

relating to

**CONTRIBUTION IN KIND**

**OF THE BUSINESS DIVISION NAMED "ITALY DIVISION"** by Amplifon S.p.A.

by way of full payment of a capital increase for a wholly owned subsidiary

**AMPLIFON S.P.A.**

Registered office located at via Ripamonti, 131/133, 20141 Milan, Italy

Share capital: €4,527,772.40

Companies Register and Tax ID no. 04923960159 - REA MI [Economic and Administrative Index] - 1064063

April 23, 2021

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*Amplifon S.p.A. has exercised the right to derogate from the obligation to publish an information document relating to acquisitions and disposals, provided for in Article 71 of Consob Regulation no. 11971 of May 14, 1991, as amended (hereinafter the "**Issuers' Regulation**").*

*In view of the importance of the operation described below, Amplifon S.p.A. has considered it appropriate to provide, through the publication of this informative document, adequate information to the public regarding the operation involving the contribution in kind of a business division, belonging to Amplifon S.p.A., to a newly or recently established limited liability company, the share capital of which is owned entirely by Amplifon S.p.A. (the "**Operation**").*

*This information document has therefore been prepared, on a voluntary basis, in accordance with the indications set out in Model 3 of Annex 3B of the Issuers' Regulation, as referred to in Article 71 of the Issuers' Regulation, concerning significant acquisitions and disposals.*

*In accordance with Article 6 of Consob Regulation no. 17221 of March 12, 2010, as amended ("**Regulation 17221/2010**"), the Receiving Company (as defined in this informative document) is a related party of Amplifon S.p.A., which owns its entire share capital.*

*The Operation is not subject to the procedures relating to transactions with related parties under the exemption provided for in Article 14(2) of Regulation 17221/2010 and Article 4.2(d) of the Procedures relating to transactions with related parties of Amplifon S.p.A., adopted by the Board of Directors of Amplifon S.p.A. on July 26, 2018 and published on the Amplifon S.p.A. website (www.corporate.Amplifon.com).*

*Consequently, Amplifon S.p.A. has not published and will not publish an information document relating to the Operation pursuant to Article 5 of Regulation 17221/2010.*

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**PER SHARE DATA CONCERNING THE ISSUER AS AT DECEMBER 31, 2020, NET VALUES FOR THE ITALY DIVISION**

| (k€) | **December 31, 2020** |
|---|---|
| Total assets | 2.083.603 |
| Total liabilities | 1.444.551 |
| Net equity | 639.052 |

| (k€) | **Year 2020** |
|---|---|
| Revenues from Sales and other services | 5.246 |
| Net profit (loss) | -2.912 |
| Earnings per share (€ cent) | |
| Basic | -1,301 |
| Diluted | -1,285 |

The Operation has no effect on the Issuer's consolidated data as it is a significant transaction carried out between entities "under common control" according to IFRS 3.

In addition, the Contribution(*) was made in accordance with the principle of continuity of values, and therefore the value of the equity interest in the Receiving Company(*), as entered in the Issuer's separate financial statements on completion of the Operation(*), and the adjustments made at the Effective Date(*), will ensure that the Issuer's equity at the Effective Date(*) is the same as that at December 31, 2020.

(*) As defined below.

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**FOREWORD**

Amplifon S.p.A. ("**Amplifon**", the "**Issuer**" or the "**Company**"), whose shares are listed on the STAR segment of the Mercato Telematico Azionario [electronic stock exchange] ("**MTA**") organized and managed by Borsa Italiana S.p.A. ("**Borsa Italiana**"), has exercised the right to derogate from the obligation to publish an information document relating to acquisitions and disposals, provided for in Article 71 of the Regulation implementing Legislative Decree no. 58 of February 24, 1998, as amended (the "**TUF**"), concerning the regulation of issuers, adopted by Consob Resolution no. 11971 of May 14, 1999, as amended (the "**Issuers' Regulation**").

In view of the importance of the operation described below, Amplifon has considered it appropriate to provide adequate information to the public by publishing this informational document (the "**Information Document**").

This Information Document has therefore been prepared, on a voluntary basis, in accordance with the indications set out in Table 3 of Annex 3B of the Issuers' Regulation, as referred to in Article 71 of the Issuers' Regulation, concerning significant acquisitions and disposals, in order to provide an informative framework for the operation, to redefine the corporate structure of Amplifon, the main objective of which is to make the corporate structure of the group headed by Amplifon (the " **Group**") consistent with the evolution of the organizational structure and its multinational nature (the "**Corporate Restructuring Project**" or the "**Project**" or the "**Operation**").

Within this context, Amplifon will manage the definition and development of the strategic direction and strategic coordination activity for the whole Group, while the management of operating activities on the Italian market will be the responsibility of a company dedicated to said task.

In particular, the Operation will be carried out through a contribution in kind of the business division belonging to Amplifon (the "**Contribution**") pertaining to the operating activities in Italy (the "**Italy Division**") by way of payment of a capital increase reserved for Amplifon, resolved by Amplifon Italia S.r.l., a limited liability company wholly owned by Amplifon (the "**Receiving Company**" or "**Amplifon Italia**") on April 12, 2021 and effective from May 1, 2021 (the "**Effective Date**"), as detailed within the next Section 2.1.2 of this Information Document.

The Receiving Company will be transformed into a joint-stock company (*società per azioni*) as from the Effective Date.

This Information Document is available to the public at the Company's registered office, on the website www.corporate.Amplifon.com, and via the authorized eMarket Storage platform (www.emarketstorage.com ).

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# DEFINITIONS

| | |
|---|---|
| **Amplifon Italia Capital Increase** | The capital increase pursuant to Article 2481-*bis* of the Civil Code, subject to payment, for a total price of €25,000,000 (including premium), approved by the Shareholders' Meeting of Amplifon Italia on April 12, 2021, reserved for Amplifon and fully subscribed and paid in full on that same date by Amplifon through the Contribution of the Italy Division. |
| **Amplifon Italia** or **Receiving Company** | Amplifon Italia S.r.l. (which, as from the Effective Date and as a result of its transformation into a *società per azioni*, will change its name to "Amplifon Italia S.p.A."), a single-shareholder company, with registered office located at via Ripamonti, 131/133, 20141 Milan, Italy, share capital €10,000 paid in full, registered in the companies register of Milan, Monza, Brianza, Lodi, Tax ID and VAT number 11567540965, subject to management and coordination by the Company. |
| **Carve-Out Financial Statements** | As stated in Section 5. |
| **Borsa Italiana** | Borsa Italiana S.p.A. |
| **Civil Code** | The Italian Civil Code (Royal Decree no. 262 of March 16, 1942, as subsequently amended and supplemented). |
| **Contribution** or **Contribution of the Italy Division** | The contribution in kind of the Italy Division to Amplifon Italia, by way of full payment of the Amplifon Italia Capital Increase. |
| **Business Contracts** | The contracts through which the Issuer carries out its characteristic activity. |
| **Effective Date** | As stated in the Foreword. |

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| | |
|---|---|
| **Information Document** | The present information document, prepared in accordance with the indications set out in Table 3 of Annex 3B of the Issuers' Regulation, as referred to in Article 71 of the Issuers' Regulation. |
| **Issuer, Company** or **Amplifon** | Amplifon S.p.A., with registered office at via Ripamonti, 131/133, 20141 Milan, Italy, VAT, Tax ID and Milan Companies Register number 04923960159, whose shares are listed on the STAR segment of the MTA and included in the FTSE-MIB index. |
| **Expert** | Prof. Andrea Amaduzzi, appointed as expert by the Issuer in accordance with Article 2465(1), of the Civil Code, for the purpose of preparing the Appraisal Report. |
| **Group** | Amplifon and the entities that belong to the consolidation perimeter of Amplifon. |
| **MTA** | As stated in the Foreword. |
| **Operation** | As stated in the Foreword. |
| **RPT Procedure** | The procedure in force for transactions with related parties, last approved by Amplifon's Board of Directors on July 26, 2018 in accordance with the RPT Regulation. |
| **Corporate Restructuring Project or Project** | As stated in the Foreword. |
| **Italy Business Division or Italy Division** | The Issuer's business division as detailed within Section 2.1.1 of this Information Document. |
| **Issuers' Regulation** | As stated in the Foreword. |
| **RPT Regulation** | The Regulation concerning transactions with related parties approved by Consob Resolution no. 17221 of March 12, 2010, as subsequently amended and supplemented. |

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| | |
|---|---|
| **Appraisal Report** | The appraisal report, prepared by the Expert in accordance with Article 2465(1) of the Civil Code, relating to the economic value of the Italy Division. |
| **TUF** | As stated in the Foreword. |

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# 1. NOTICE:

In order to better understand the Operation, the recipients of this Information Document are invited to assess the specific risk factors or uncertainties associated with the Operation.

Some risk factors relating to the Issuer, the Group and the sector in which they operate are also listed below.

It should be noted that further risks and uncertainties that are currently unforeseeable or that are deemed improbable at this current time, could equally affect the business, the economic and financial conditions as well as Amplifon's, the Receiving Company's and the Group's overall success.

The below detailed risk factors and uncertainties must be read together with all of the information included within this Information Document.

References to Chapters and Paragraphs refer to the chapters and paragraphs of this Information Document.

## 1.1 Risks or uncertainties associated with the Operation

### 1.1.1 Risks associated with the liability of the Issuer pursuant to Business Agreements in Italy

Amplifon conducts its core business worldwide mainly on the basis of agency, franchising and lease agreements that constitute one of the Group's main assets.

In particular, in Italy, the Group markets hearing aid products and services through a distribution network consisting of 694 corporate shop with over 3,200 shop in shop & corner as of December 31, 2020.

An amount of Business Contracts transferred to Amplifon Italia are also backed by sureties.

Although there is no reason to believe that Amplifon Italia should become unable to perform its obligations pursuant to the Business agreements to which it has become party as a result of the Contribution of the Italy Division, it should not be ruled out that Amplifon should be held jointly liable for any breaches on the part of Amplifon Italia, as the beneficiary of the Contribution of the Italy Division's *vis-à-vis* the lessors and banks, pursuant to the aforementioned Business Agreements and the aforementioned sureties.

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### 1.1.2 Risks associated with the valuation methods used for the purpose of the Appraisal Report

For the purpose of the Contribution, pursuant to Article 2465 of the Italian Civil Code, the Expert prepared the Appraisal Report attached to this Information Document as Attachment 1.

In order to arrive at an estimate of the value of the Italy Business Division, the Expert made reference to generally accepted valuation principles, with particular regard to those that are most widely used nationally and internationally for the same type of operations, applied in accordance with the characteristic elements of the Italy Business Division.

The valuations made by the Expert featured the typical critical elements that are inherent in this type of analysis. In particular, the conclusions of the valuation process followed by the Expert must be considered in light of the limitations and difficulties summarized below:

- ✓ the forecasts, estimates and the economic-financial projections used for the purpose of the Appraisal Report valuations exhibit, by their very nature, elements of uncertainty in relation to the actual predictability of the expected future operational and revenue performance, also in relation to the possible variations of the reference context; during the analysis and in the preparation of comments and conclusions, the Expert assumed and relied on the accuracy, completeness and reasonable nature of all of the information and assumptions of an economic-financial nature as well as assumptions that were provided by and which remain exclusively relevant to, the exclusive responsibility of the Company management;
- ✓ the Appraisal Report valuations reflect financial and economic-financial assumptions formulated on the basis of the information available at the date of preparation of the Appraisal Report, which could undergo modifications and changes deriving from both market conditions and from external and internal events affecting a current and future trend in performance and on the economic-financial prospects of Amplifon and the Receiving Company;
- ✓ the high rate of volatility within the financial markets, which is susceptible to significant change, potentially impacting parameters used for the purpose of the Appraisal Report; in accordance with the terms of the appointment of the Expert, the documents and information used for the purpose of carrying out the assignment were not subject to checks, controls, revisions and/or certification by the Expert.

For a more detailed description of the valuation methodologies adopted for the purpose of the Appraisal Report refer to the Appraisal Report attached to this Information Document as Attachment 1.

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### 1.1.3 Risks associated with the Issuer's objectives

This Information Document contains an amount of planning declarations with regards the objectives that the Issuer has set for itself to achieve through the Operation, regarding, in particular, the development strategies that can be pursued following the implementation of the Project. Although the Company does not foresee that the Transaction itself may involve a failure risk to achieve its objectives, it is not possible to guarantee that these forecasts will be maintained or confirmed. The Issuer's and the Group's results, as well as the performance trend of the sector in which they operate could prove to vary from those planned, due to known and unknown risks, uncertainties and factors that cannot be represented and/or foreseen today.

### 1.1.4 Risks associated with the Operation being completed between related parties

Amplifon is the owner of the entire share capital of the Receiving Company and for this reason the Operation constitutes a transaction between related parties, pursuant to the RPT Regulation and the RPT Procedure.

Although the Operation is carried out with related parties, it is exempt from the application of the RPT Procedure, pursuant to Paragraph 2 of Article 14 of the RPT Regulation and Article 4.2 (d) of the RPT Procedure, as it is a transaction carried out with companies whose share capital is, and will remain upon completion of the transaction, entirely held by Amplifon and in which there are no significant interests of other related parties.

In consideration of such circumstance:

- ✓ for the purpose of the approval of the Contribution by the Board of Directors of Amplifon the intervention of Amplifon's Related Parties Transaction Committee was not requested; and
- ✓ Amplifon has not published and will not publish an information document relating to the Operation pursuant to Article 5 of the RPT Regulation.

(See Paragraph 2.3 of this Information Document).

## 1.2 Risks related to the Issuer and the Group of which it is the Parent Company

### 1.2.1 Risks associated with the performance of the company business and the uncertainties deriving from the effects of the COVID-19 emergency

Commencing the beginning of March 2020, following the global spread of the respiratory syndrome called SARS-CoV-2 and the related COVID-19 condition, the authorities of most countries, including the Italian government, adopted restrictive measures aimed at containing the

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spread of the pandemic. The most significant of such measures involved restrictions and controls on movement and the closure of production plants, offices and points of sale. Although hearing care services in most of the countries where the Group operates were deemed essential services by government authorities and the Group's shops could continue to operate, the adoption of lockdown measures led to a generalized decline in footfall in to the Group's shops and, consequently a fall in revenue, mainly in the March to June 2020 period.

Therefore, commencing March 2020, the Group immediately prepared and implemented a decisive plan of action aimed at both ensuring the health and safety of its own people and its customers while mitigating the economic-financial impact.

In particular, in order to protect the health and safety of its people while guaranteeing the continued support and service to its customers, the Group adopted a rigorous operational protocol aimed at guaranteeing maximum safety in its shops, in addition to adopting remote working for its back-office personnel.

In order to contrast impacts on economic and financial results and in particular on profitability, the Company also implemented, again commencing March 2020 and with particular reference to the second quarter, actions aimed at containing costs, among which:

- the optimization of labor costs by way of utilization of social benefits and forms of public support planned for the protection of workers, or provided by way of extraordinary measures, in the countries where the Group operates, the proportional reduction of the variable component of labor costs and the voluntary reduction of managers salaries;
- the reduction of marketing costs;
- the suspension of discretionary costs and the renegotiation of several supply and rental contracts.

Furthermore, in order to maximize cash generation and preserve the net financial position, the Company temporarily suspended, predominantly within the second quarter, non-essential investments and financial outlays for acquisition operations, and also allocated operating profit entirely to the reserve for retained earnings, as approved by the Shareholders' Meeting on April 24, 2020.

Finally, Amplifon, having already started at the beginning of February 2020, well in advance of due dates, to refinance the forthcoming maturity payments by issuing a seven-year Eurobond for a total of €350 million, completed a series of transactions aimed at strengthening the financial structure of the Group, extending the debt maturity dates and increasing the overall availability of committed lines of credit for an overall amount of approximately €380 million. This activity enabled the Company to close year 2020 in a strong liquidity position of approximately €800 million, including

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available liquidity and committed revolving lines of credit that had not been utilized at the date of this Information Document.

In the light of the aforementioned dynamics, in financial year 2020 the Group recorded a consolidated revenue of €1,555.5 million, down 9.3% at constant exchange rates compared with 2019 due to the impact of the health emergency, but with an increased performance than that of the reference market and a strong improvement within the second half of the year, demonstrating the resilience of the business. EBITDA was €371.0 million, with a margin of 23.8%, an increase of approximately 110 basis points when compared to 2019 and a net profit was €101.0 million compared with €127.1 million and €108.7 of respectively recurring[1] and reported profits achieved in 2019. Net financial debt, excluding liabilities for leasing, as of December 31, 2020 amounted to €633.7 million, a significant improvement compared to €786.7 million as at December 31, 2019.

Therefore, in 2020, against a fall in revenue due to the pandemic, predominantly within the second quarter, but increasing by the beginning of the third quarter and at a higher rate than the reference market, the Group achieved a significant improvement in profitability as well as an improvement in net financial debt demonstrating the effectiveness of the initiatives that had been undertaken from the beginning of the crisis.

Furthermore, in 2020, despite the impact of the pandemic, the Group also continued to implement various strategic initiatives: it completed the roll-out of the Amplifon Product Experience - which includes Amplifon branded products and the Amplifon application - in the US and in Germany also launching in the UK; it continued the process of integration of GAES in Spain and it continued the consolidation process, always in line with the strategy of further reinforcing its position in key markets with the acquisition of Attune Hearing in Australia and of PJC Investments' "business hearing care", the second largest franchisee in the US.

As of the time of this Information Document, it has not been possible to predict the duration of the pandemic, the restrictive measures aimed at containing further spreading of the virus or the implementation times of the vaccination plans currently underway in various countries and, therefore, it is not possible to foresee any further negative effect that the prolongation of the pandemic may have on economic activity in general at a global and domestic level and on the Group's business. In particular, if there were any successive waves of the COVID-19 infections or of other infectious diseases, the national authorities may reintroduce, in whole or in part, the aforementioned restrictive measures with a consequence of further negative effects on economic activities at a global and domestic level as well as on the Group's business. Furthermore, it cannot

[1] Recurring net profit excludes the costs relating to the GAES integration, net of the relevant tax effect. Reported net profit is the net profit resulting from the consolidated financial statements.

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be ruled out that in the event that the global macroeconomic conditions deteriorate, as in the case of a prolonged recession in Europe, the US or worldwide, similar to the COVID-19 emergency for example, the Company and the Group could suffer a negative impact on their relative economic, capital and financial situation.

### 1.2.2 Risks associated with the competitive context

The Group operates in the global hearing aids retail market. This market is competitive in terms of pricing, quality and product innovation, time-to-market and, above all, customer service. Furthermore, the global retail sector of hearing aids is highly fragmented and it can be characterized, in specific moments of the economic cycle, by significant competition aimed at acquiring new shares of said market.

The main competitors of the Group are specialized operators, manufacturers of hearing aids or small independent operators with just a handful of points of sale or small chains, and non-specialized operators, like the optical, pharmacy and big-box supermarket chains, that may have significant resources (even financial resources) to an extent that can enable the aforementioned operators to exploit changes within the sector in a significant way in relation to costs.

The Group is exposed to the risk that is represented by processes of vertical integration of hearing aid manufacturers. This may lead to increased concentration of the sector and of any competition. The Group business may also be subject to a negative impact due to increased competition as a result of new operators entering the market, including non-specialized operators, who could use their existing sale outlets as distribution channels, manufacturers of hearing aids or online operators. The risk of new operators entering the market could increase if, following a change in regulations, the qualifications required by sales personnel in hearing aid points of sale was to become less stringent or if access to professions such as hearing aid specialists was to prove more direct.

In addition, the entry of new operators into the market would not only represent an obstacle to the expansion of the Group due to increased competition for the acquisition of new business, but also entail a risk of greater pressure on prices. Price pressure could reduce profit margins and lead to significant losses for market operators.

Should such risks materialize, it cannot be excluded that there should be a decrease in the market share of the Group, or a reduction in the Group's profits with a consequent negative impact on the Group's ability to achieve its strategic objectives and, more generally, on the economic, capital and financial position of the Group.

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### 1.2.3 Risks associated with renewing and maintaining certain Business Contracts

The Group has agency (or similar) and franchising contracts in place with which it distributes its products and services to 27 countries around the world. For example, in the United States one of the Group's business models is based on franchisees (with the Miracle-Ear brand), whose financial strength must be carefully monitored in order to be able to intervene quickly if necessary. Furthermore, in Italy, the majority of the points of sale (613 out of 694, as of December 30, 2020) are managed by entities similar to agents, who work exclusively with the Group and who have acquired extensive information on customers residing within their local area of operation.

With reference to the relationships between the Group and these agents or franchisees, the Group's objective is to establish and maintain over time a continuous collaboration and partnership relationship, also through the provision of in-depth hearing aid training, focused on providing high quality services to customers, and the continued search for new commercial locations, aimed at increasing the reference market penetration.

It should however be noted that these Business Contracts can be terminated or can cease for a number of reasons - some of which are beyond the control of the Group - including any financial difficulties (including insolvency) of the Group's partners, as well as the decision by one or more partners to form their own independent business or to establish collaborative relationships involving the Group's competitors.

Furthermore, as specified above (Paragraph 1.2.1), due to strong competition within the sector, in the event that new Business Contracts are signed or when Business Contracts are renewed, the new contractual conditions may be less favorable than those currently in place.

The occurrence of these circumstances may have negative effect on the Group's ability to achieve its strategic objectives and, more generally, on the Group's economic, equity and financial situation.

### 1.2.4 Risks associated with the Group's international operations

The Group operates mainly within the retail segment of the global market for hearing products and services. In particular, the Group operates within 27 countries divided among Europe, the Middle East and Africa ("**EMEA**"), in the US, Canada and Latin America ("**Americas**") and in Australia, New Zealand, India and China ("**Asia-Pacific**").

The Group is exposed to risks that are typically associated with the transnational nature of its activities, many of which are beyond its control. Such risks include, *inter alia,* the following:

- ✓ compliance with multiple national and local laws of the countries in which the Group operates;

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- ✓ regulatory or procedural changes relating to the global hearing aid market and healthcare system, including intellectual property rights, imports, exports, quality, costs, prices, reimbursements, authorizations, inspections, healthcare;
- ✓ changes to employment regulations, salary increases or inflationary increases in the countries where the Group or its partners and suppliers operate;
- ✓ restrictions on the repatriation of revenue or capital, deprivation of contractual rights, expropriations, confiscatory taxation or other tax policies or government actions that have a negative effect on the Group's business;
- ✓ economic sanctions and export restrictions and other restrictions on the transfer of assets;
- ✓ government instability, even due to changes in the law;
- ✓ exchange rate fluctuations for foreign currency transactions;
- ✓ negative trends within the economies in which the Group or its suppliers operate following a reduction in overall growth, a change in government or economic policies, financial, political or social changes, political instability, especially in emerging markets;
- ✓ preferences of local consumers with respect to products and differing product requirements;
- ✓ loss or delay in the delivery of products or services caused by problems related to transport;
- ✓ supply interruptions and increases in the cost of energy and transport;
- ✓ natural disasters, including droughts, floods, earthquakes, health epidemics and pandemics or contagious diseases within the countries where the Group operates;
- ✓ terrorist attacks, riots, social unrest or local hostilities within the countries where the Group or its partners and suppliers operate.

The occurrence of these circumstances would have negative effects on the financial and operating results of the Group, as well as its economic and equity situation and, more generally, on its ability to achieve its strategic objectives.

### 1.2.5 Risks associated with adverse changes in the state of the international economy

The hearing aid market has generally proven to be sufficiently resilient even in times of economic crisis or uncertainty. However, it cannot be ruled out that there may be future deterioration of

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global macroeconomic conditions and of the financial markets or a decline in consumption as occurred in 2008 for example.

Economic instability can lead to greater volatility and, in some cases, a reduction in liquidity, a widening of credit spreads and a lack of price transparency within the credit markets. Although in the past the Group's business performance has remained positive in times of instability and crisis, the possibility that customers may change their purchasing preferences in favor of products at a decreased price point cannot be excluded.

Should a deterioration of global macroeconomic conditions occur, such events may have a negative impact on the financial results of the Group and on its economic situation.

### 1.2.6 Risks associated with the inability to implement the Group's expansion strategy

The Group's expansion strategy involves strategic acquisitions in order to expand or integrate its business, achieving synergies and cost savings and improving the Group's operational efficiency. By way of example, at the end of December 2018, the Issuer completed the acquisition of the GAES group ("GAES"), the leader in hearing solutions in Spain and also present in Portugal, Andorra and in six Latin American countries (Argentina, Chile, Ecuador, Panama, Colombia and Mexico).

On February 6, 2020, the Issuer completed the acquisition of Attune Hearing Pty Ltd ("Attune"), Australia's largest independent hearing care provider, which manages a distribution network of approximately 55 outlets in Australia.

Finally, on December 30, 2020, the Issuer finalized the acquisition of the hearing solutions and services business PJC Investments LLC ("**PJC Hearing**"), the second largest franchisee operating with the Miracle-Ear brand in the United States. PJC Hearing operates through a distribution network of 110 stores located in Texas (58), Florida (49) and New Mexico (3), states that are densely populated by senior citizens. Through the acquisition of PJC Hearing, which involved a cash-out, on a debt-free cash-free basis, of approximately $34 million (€27 million), the Company added PJC's 110 stores to its 59 Miracle-Ear corporate stores (mainly located in Minnesota, South Carolina and Georgia) under one umbrella and as one legal entity. Furthermore, PJC's management, incentivized through appropriate earn-out mechanism, will be partner with Amplifon in the management of the new entity.

Strategic business expansion initiatives carry intrinsic risk and failure (or delay in their implementation) could result in, among other repercussions, the Group's inability to achieve its strategic objectives and achieve cost savings and benefits deriving from the acquisition, difficulty in effectively integrating the acquired businesses, loss of key employees of the acquired business,

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the emergence of liabilities that were potentially not known at the time of acquisition or the need to address unforeseen tax or accounting issues.

As a result of the above, the Group may fail to successfully implement its growth strategy and/or enjoy the expected benefits and/or fail to achieve the expected synergies within the time initially planned and such circumstances could adversely affect the Group's business and its operating results.

### 1.2.7 Risks associated with the portfolio of brands and patents

The Group operates through proprietary brands and patents - none of which are included in the Italy Business Division - and the success of the Group depends, in part, on its ability to protect such brands, patents and intellectual property rights, including know-how and the rights of the Group on some domain names.

The main risk profiles associated with the ownership and use of the Group's portfolio of property rights are related to, among other considerations, the decline in the appeal of brands or trademarks in the portfolio.

Furthermore, the effective protection and use of the Group's intellectual property rights may not be enforceable in all countries where the Group operates. Finally, the Group may be subject to claims and/or other disputes due to the (alleged or actual) breach of the intellectual property rights of third parties.

The occurrence of such circumstances could cause a significant increase in liabilities of the Group, divert the management's attention and give rise to injunctions or convictions for damages against the Group, to the extent that any claims for said damages are upheld. The Group could be subject to large pay outs or to cease using its trademarks, patents and domain names that prove to be in breach of the rights of others.

Although the Group has resources to monitor and contain the above discussed risks, the occurrence of the events identified as potential risk may have an impact on the Group's ability to compete within the reference markets and therefore on the Group's ability to achieve its strategic objectives and, more generally, on the economic, equity and financial situation of the Group.

### 1.2.8 Risks associated with the Group’s human capital

Work represents a relevant factor for the Group's business, characterized by a strong component of customer service and a high level of specialization of the personnel involved in providing hearing care services.

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The complexity of the regulations that distinguish the markets of the various countries where the Group operates and the need to maintain service levels that are consistent with customer expectations and the regulatory requirements imposed by applicable regulations, however, limit flexibility in the management of work as a resource.

The main risk profiles associated with human capital concern potential increases in the unit cost of labor, as well as the possible tightening of the regulations as applicable from time to time.

To account for these risks, the Group consistently updates its processes and management procedures, with the use of digital technology, with the objective of maximizing efficiency in the use of work by increasing its flexibility.

The Group's innovative strategy and its ability to provide hearing solutions and services, to maintain operating margins and to control costs also depend on the Group's ability to attract, motivate and retain highly qualified personnel, including senior management and hearing care professionals, by paying their employees and managers a competitive salary, among other considerations. This ability is an essential factor in the competitive context in which the Group operates and any deterioration of this ability would expose the Group to the risk of loss of resources in key positions or of resources in possession of know-how that is deemed relevant.

In order to minimize this risk, the Group adopts remuneration policies that ensure a constant favorable comparison with multinational and Italian companies operating within the same sector, with levels of complexity, widespread distribution and investments comparable to those of Amplifon. In addition, the Group adopts management policies and initiatives aimed at motivating and retaining talent.

Although these policies can mitigate the risks detailed above, the loss of resources in key positions or of resources in possession of critical know-how cannot be ruled out; such loss can have a negative impact on the Group's ability to achieve its strategic objectives and, more generally, on the Group's economic, equity and financial situation.

### 1.2.9 Risks associated with exchange rate fluctuations

The Issuer prepares its consolidated financial statements in Euros and, therefore, fluctuations in the exchange rates used to convert the financial statements of the subsidiaries, originally expressed in a foreign currency, may affect the results, the net financial debt and the consolidated net equity which are expressed in Euros in the Group's financial statements.

Furthermore, the Group conducts a significant part of its activities outside of the Euro Zone and in currencies other than the Euro, including, but not limited to, US dollars, Australian dollars, New Zealand dollars, British pounds and Swiss francs. In particular, Currency Exchange Rate risk

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derives from operations in the United States, Canada, United Kingdom, Switzerland, Hungary, Poland, Israel, Australia, New Zealand, India, Egypt, China and, following the acquisition of GAES at the end of 2018, in Chile, Argentina, Ecuador, Colombia, Panama and Mexico.

Unfavorable fluctuations in exchange rates may have a negative effect on the business, the prospects of the Group, as well as on the Issuer's and the Group's economic, equity and financial situation.

### 1.2.10 Risks associated with interest rate fluctuations

The Group has entered into loan agreements with interest rates based on a variable reference rate, in addition to a spread.

Fluctuations in the relevant reference rate can potentially lead to an increase in interest due. The Group uses hedging financial instruments to mitigate the risk related to fluctuations in interest rates applied to its loans.

A significant increase in interest rates may determine an increase in the financial charges incurred by the Group and, as a result, have a negative effect on the Group's ability to achieve its strategic objectives and, more generally, on the Group's economic, equity and financial situation

### 1.2.11 Credit risk

The Group is subject to credit risk deriving from, (i) sales made in the context of its ordinary operating activities, (ii) the use of financial instruments that require the settlement of positions with counterparties (iii) direct or indirect loans granted to commercial partners for business investments and development.

The Group's inability to prevent or compensate, irrespective of appropriate risk management procedures, any breaches of payment obligations may have a significant adverse effect on the Group's operating results and its financial situation.

### 1.2.12 Liquidity Risk

The Group may be exposed to a liquidity risk and to the risk of not being able to meet its payment obligations. These events may be caused by a variety of situations, which can also be independent of or beyond the control of the Group, for example a credit crisis with serious instability or an economic crisis in countries where the Group operates. This risk has increased following the considerable financial commitments undertaken with the acquisition of GAES.

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The Group's inability to possess sufficient liquidity may have significant negative effect on its economic results and its financial situation.

### 1.2.13 Risks associated with the execution of transactions with Related Parties

As part of its business, the Group has maintained and currently maintains commercial and financial relationships with Related Parties. In the opinion of the Group, these relationships envisage conditions in line with those of the market.

However, there is no guarantee that, in the event that the transactions carried out with Related Parties had been concluded between, or with, third parties, the latter would have negotiated and stipulated the relative contracts, or carried out the same transactions, at the same conditions and in the same manner. Such situations may potentially lead to inefficiencies within the resource allocation process, expose the Issuer and the other Group companies to risks that are not adequately measured or monitored, as well as potentially damage to the Group and its various stakeholders, with consequent significantly negative effect to the business and to the economic, financial and equity situation of the Issuer and the Group.

## 1.3 Risks related to the sector in which the Issuer and the Group operate

### 1.3.1 Risks associated with the relationship and interaction with customers

The Group provides high quality technical services and endeavors to establish and maintain a personal relationship with customers. Indeed, the profitability of the Group is highly dependent on the level of customer satisfaction, which in turn can be influenced by a variety of factors, including negative perception or negative and/or inaccurate advertising of the quality of the products and services provided by the Group.

The Group's inability to maintain a good relationship with its customers and maintain a high level of customer satisfaction may make it difficult for the Group to manage its business and as a result may have substantial negative effect on the Group's economic results and financial situation.

The Group utilizes a continuous monitoring system of performance and consumer behavior in order to be able to react immediately, through the sustained updating of its offer and the level of service provided, to signs of change within highlighted external factors.

Although the monitoring and consequent updating of its offer and the service represent a mitigating factor, it cannot be excluded that the occurrence of the aforementioned risk may have a negative effect on the Group's ability to achieve its strategic objectives and, more generally, on the economic, equity and financial situation of the Group.

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### 1.3.2 Risks associated with relations with the medical community

The Group's business consists of providing solutions and services to customers suffering from a medical condition. Consequently, the Group must adapt its products and services to the regulations governing medical and health products and services.

Furthermore, the Group's relationship with members of the medical community (in particular with ENT specialists) and the perception that these specialists have of the products and services offered by the Group play an important role in its business in the countries where a medical prescription is required for the purchase of hearing aids, such as Italy, France and Germany. Indeed, the doctor often directs the patient-consumer in the purchase of hearing aids.

The Group has a strong relationship with the medical community/profession, but the possible loss of this relationship may have a negative impact on the marketing of the Group's products, which would have a negative effect on the Group's operating results and its financial situation.

### 1.3.3 Risks associated with the dynamic relating to the regulation of health service organizations and coverage guaranteed by insurance policies

The Group operates in the medical and health sector and therefore its activity is influenced by any changes in the legislation related to Health Service Organizations of the countries where the Group operates and/or the legislation related to the scope and operating procedures of public and private insurance policies.

In particular, these regulatory changes may lead to changes in the terms and conditions of national health service coverage (including the conditions for reimbursement) and of private health insurance policies.

Any changes to these regulations may have a significant impact on consumers' propensity to spend and potentially have a negative effect on the Group's ability to achieve its strategic objectives and on the Group's economic, equity and financial situation.

### 1.3.4 Risks associated with events that may influence customers' propensity to spend

Consumers' propensity to spend is also sensitive to events that cannot be controlled by the Group, such as epidemics, pandemics, political instability, terrorist acts or threats thereof, hostilities or wars, strikes, disturbances or suspension of services, natural disaster, accidents or similar events.

Events that have a negative impact on customers' propensity to spend, such as those mentioned above, may cause a decline in the Group's sales and, consequently, a negative effect on the Group's

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ability to achieve its objectives and, more generally, on the economic, equity and financial situation of the Group.

In order to mitigate this risk, the Group utilizes a system of continuous monitoring of performance of the reference market and of consumer behavior in order to be able react promptly, through sustained updating of its offer and the level of service, to any signs of change within the above discussed external factors, also taking into account that customers within the sector in which the Group operates form their consumption choices on the basis of medical and health requirements and, often, on the basis of a prescription of a specialist doctor who is treating them for a hearing disorder.

Although the consistent monitoring and consequent updating of its offer and the service constitute a mitigating factor for the risk in question, it cannot be excluded that the occurrence of the aforementioned events may generate a negative effect on the Group's ability to achieve its strategic objectives and, more generally, on the economic, equity and financial situation of the Group.

#### 1.3.5 Risks associated with the seasonal nature of the business

The Group's operating results are subject to seasonality. In particular, sales in the area of Europe, the Middle East and Africa - which represent the largest area in terms of revenues and profitability for the Group's business - are concentrated within the second and fourth quarters of each year. As a result, the fourth quarter is the most important for the Group in terms of revenue, profitability and cash flow.

In this regard, it should be noted that, due to the quarterly fluctuations that typically affect the Group's operating results, the comparison of the Group's revenues and overall results in the various quarters of a single financial year may not accurately reflect the performance of the Group and should therefore not be considered as an indication of the Group's future revenues or results for a full financial year.

Such seasonality can have an impact on the net working capital and the net financial debt of the Group, with possible negative effects on the business and on the economic, equity and financial situation of the Issuer and the Group.

#### 1.3.6 Risks associated with changes in the law governing the sector in which the Group operates

The Group's activities are subject to legal and regulatory constraints, both local and supranational, applicable to the healthcare sector and to medical devices. In particular, the applicable legislation concerns, (i) reimbursements by national health services or third parties for the purchase of hearing aids; (ii) the sale and distribution of hearing aids to the public and, more specifically, the training

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and qualifications required to practice as a hearing care professional; (iii) the technical aspects of hearing aids, which must comply with national and supranational regulations regarding product standards and quality, packaging and labeling requirements.

For example, the EU regulation 2017/745 (“**EUMDR**”) concerning medical devices imposes particularly stringent requirements regarding clinical data and the management of safety risk. In particular, according to the EUMDR, importers and distributors of medical devices must verify that the manufacturer and the device meet the requirements established by the aforementioned regulation before the device is imported or sold within the territory of the European Union.

Although the Group has adopted measures aimed at ensuring prompt compliance with regulatory changes, also thanks to the setting up of a Regulatory Affairs function, which monitors regulatory changes and their impact within all countries where the Group operates, the adoption of new legislative or regulatory provisions that introduce procedures, restrictions or controls that can influence the propensity of customers to purchase or that require the Group to implement measures that determine higher costs or charges for the customer, may have negative effect on the Group's capacity to achieve its strategic objectives and, more generally, on the economic, equity and financial situation of the Group.

In particular, the aforementioned legislative or regulatory changes can result in (i) changes to the terms and conditions of national health insurance coverage (including reimbursement conditions), (ii) changes relating to the requirements for the sale of hearing aids and related services, including the Amplifon App, (iii) a change in the role of ENT specialists and hearing aid specialists. For example, in 2017 in the United States the Food and Drug Administration was mandated to regulate the possibility to purchase hearing aids for individuals over the age of 18 with a hearing loss perceived to be from mild to moderate, without the supervision, involvement or the intervention of a qualified hearing professional. This lowering of the requirements for the sale and customization of hearing aids could open the market to solutions that perform sub standardly and also give rise to an increase in competition with new potential operators, leading to a decline in market share of the Group and increase the pressure on prices.

### 1.3.7 Risks associated with privacy legislation

The Group's activities also include the collection and processing of the personal data of its *clientèle*. The collection, use and storage of personal data is subject to stringent regulations both at local and supranational level. For example, at EU level, Regulation 2016/679 ("**GDPR**") provides for strict security standards for the collection and processing of data and imposes significant sanctions in the event of any breach of the Regulation.

The protection of personal data is fundamental for maintaining a relationship of trust with customers.

Any breach of the regulation on the protection of personal data may not only entail significant sanctions against the Group, but could also have a significant impact on the sales performance and on the reputation of the Group and consequently on the achievement of its strategic objectives and, more in general, on the economic, equity and financial situation of the Group.

### 1.3.8 Risks associated with the loss of reputation of the Group with customers and counterparties

The reputational element both amongst customers and with counterparties of Business Contracts is of particular importance to the Group. The Group's reputation with customers and counterparties of the Group's Business Contracts is one of the determining factors of which the counterparties enter into or renew said Business Contracts.

Over the years, the Group has consolidated an exemplary reputation with counterparties, as well as with its customers.

In order to maintain its reputation with customers and contractual counterparties, in recent years the Group has invested significantly in the identity of the brand and in the quality of the services offered. Maintaining its reputation and values associated with the Group's brand is fundamental for the success and future growth of the business. Furthermore, maintaining and improving the Group's reputation largely depends on the products and services offered, as well as on relations with customers, suppliers and other contractual counterparties.

In particular, the reputation of the Group with its customers may be negatively affected by a reduction in the perceived quality of the product or services provided, resulting in a decline in appeal and therefore of customers, while the reputation of the Group with counterparties may be negatively affected by the inability of the Group to fulfill its contractual commitments. Furthermore, the reputation of the Group may be damaged by the conduct of a third party, and therefore be beyond control.

Finally, with reference to those marginal markets where the Group operates through commercial partnerships, as in the case of the emerging markets in Egypt, Israel and China, any reputational damage suffered by the partners could indirectly cause damage to the Group's image.

In relation to these risks, the Group consistently monitors the quality of its products and services provided to the customer (with reference to the level of perceived satisfaction and product safety),

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the fulfillment of obligations and the maintenance of quality standards set forth by the Business Agreements.

Finally, if the significant and ever-growing use of web information and communication channels (including websites and social media), which contrastingly represents a significant communication tool, as they facilitate a high-speed reach to a significant number of recipients, however, in the event of defamatory or spurious information, they can be seen to amplify resonance creating the risk of a critical situations that may require specialized intervention. To this end, the Group has set up specific monitoring structures, based on a system of policies designed to regulate interaction with web communities whilst regulating a way of managing any crises.

Although these monitoring structures represent a mitigating factor for the risk in question, it should not be excluded that if the Group does not succeed in maintaining its exemplary reputation with customers and counterparties, the loss of reputation may have negative effect on its economic, equity and financial situation.

### 1.3.9 Risks associated with the Group’s and its suppliers’ ability to innovate

The Group's ability to maintain a continuous process of innovation of its devices, including those produced by third parties, as well as of the services (including digital services) offered to its customers, allows it to react promptly to changes in consumption trends, tastes and needs of customers and therefore represents a key factor with respect to the objective of improving customer satisfaction. However, digital products, like applications, are characterized by a constantly evolving technology and require frequent software updates to ensure that the Group's products and services remain competitive.

The Group, has invested in, and launched new advanced digital services, like the Amplifon Application (the "Amplifon App"), which offers Group customers services aimed at improving customer care. The Amplifon App makes it possible to support customers even remotely, allowing users to take advantage of new services directly from their smartphone that allow them, among other things, to identify the nearest store, book appointments, find the acoustic device, change the volume or listening programs as required and to take advantage of the “Companion” function, which provides useful advice to customers thanks to an artificial intelligence algorithm that processes the usage data of the hearing aid.

The Group also has organizational monitoring structures dedicated to (i) monitoring operational performance (level of service, positioning, attractiveness of the proposed commercial offer and the portfolio of brands managed) and to the continuous renewal of the offer, through the proposal of devices equipped with more modern technologies, (ii) the development of customer loyalty

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mechanisms and client satisfaction analysis (iii) the training activity to guarantee high service standards.

Although these organizational safeguards can mitigate the risks detailed above, the absence of such innovative ability may have a direct impact on the sales performance and the reputation of the Group and consequently on the achievement of its strategic objectives and, more generally, on the economic situation, equity and financial position of the Group.

### 1.3.10 Risks associated with the development of new technologies, therapies or alternative forms of treatment for hearing loss

The Group's business consists in providing solutions and services to customers suffering from a medical condition. As a result of this, the Group's products may be affected by the adoption of new technologies, therapies or other alternative forms of treatment for hearing loss.

In particular, the economic results and profitability of the Group may be affected by a reduction in sales, in the event that medical research leads to the discovery of a cure for the various forms of hearing loss as an alternative to hearing aids, for example through surgical techniques, use of drugs or with biotechnological innovations or new therapies, or if alternatives to the Group's products and services are discovered, such as innovative platforms or technologically more advanced hearing aids or new concepts of hearing aids or platforms for hearing improvement.

### 1.3.11 Risks associated with the Group's marketing strategy

As part of its business strategy, the Group has invested significantly in marketing. The Group focuses its marketing investment on effective advertising (also on digital channels), in order to further strengthen its brand equity. The Group also uses a "Customer Relationship Management" ("**CRM**") system and an innovation program consisting of the new Amplifon product line and the Amplifon App (jointly referred to as the "**Amplifon Product Experience**") to offer customers a new and original combination of products, services and experiences, and conducts advertising campaigns aimed at guaranteeing a personalized experience focused on customer satisfaction.

Nonetheless, it cannot be ruled out that the Group may not be able to successfully implement one or more marketing initiatives in the future. In addition, any future profit that the Group makes as a result of the adoption of the aforementioned marketing initiatives may differ significantly from the Group's estimates, and marketing strategies that ad proved successful in the past may not necessarily be successful in the future.

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### 1.3.12 Risks associated with the procurement of products

The Group purchases products from a limited number of suppliers, as the wholesale market is mainly concentrated within a small number of manufacturers, namely Sonova, Demant, WS Audiology A / S, GN ReSound (part of GN Store Nord A / S) and Starkey Hearing Technologies.

The risk associated with the procurement of products are primarily attributable to the critical nature of the proper functioning and continuity of the supply chain and logistics network to guarantee a complete, balanced and effective selection with respect to customer expectations.

The occurrence of events capable of adversely affecting the ability of one or more main suppliers to produce and/or distribute products to the Group could have repercussions on the supply of products to its stores. Indeed, in this case the Group could face higher costs for the procurement of products, and/or a reduction in the volume of products made available to consumers with a consequent overall worsening within the terms and conditions for the supply of products, which would have a significant negative impact on the Group's business.

Although the Group has a continuity plan that can be activated promptly if the need arises, in case of delay, limitation or interruption of the supply of products by one or more suppliers of the Group, or in case of cessation of activity by of one or more Group suppliers due to adverse global economic conditions or natural disasters, the Group may not be able to find a new supplier in the short term with acceptable conditions or capability to supply the required volumes and such circumstances may have negative effects on the business, the prospects of the Group, as well as on the economic, equity and financial situation of the Issuer and the Group.

### 1.3.13 Risks associated with business interruption

The Group currently operates through more than 11,500 points of sale and has five main warehouses internationally in Italy, France, Spain and the Netherlands. However, many of the products that the Group sells are held in storage by the Group's suppliers and delivered directly to the Group's stores.

The continuity of operation at the points of sale and the warehouses as well as other storage facilities of the Group's products represents a fundamental element of the Group's business, which is exposed to the risk of business interruption for more prolonged periods, typically determined by uncontrollable phenomena such as, but not limited to, epidemics, pandemics, natural and climatic disasters, terrorist acts or threats thereof, hostilities or wars, strikes and political instability.

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These phenomena are potentially capable of directly affecting the points of sale, they could determine their closure, block or drastically reduce the volume of customers, they could strike critical points in the supply chain (including suppliers, agents, franchisees or partners with interdependencies in Amplifon's activity) and damage or influence the correct functioning of IT systems (also as a result of cyber-attacks) and of the network infrastructure supporting key business processes.

Furthermore, it cannot be excluded that the aforementioned phenomena may also cause injury or death of people or the destruction or damage of third-party assets or the environment.

Although the individual companies of the Group can rely on an insurance program, at both Group level and at individual company level, in place with leading companies, which includes, coverage in line with those applied by similar groups, it cannot be ruled out that such events may have significant negative effect on the Group's operating results and its financial situation.

### 1.3.14 Risks associated with product quality and safety, product liability and consequent reputational risk

The sector in which the Group operates is subject to complex regulations from the perspective of asset management, the health and safety of the customer, with reference to the protection of both the individual and the quality of the product. Failure to comply with the requirements of the applicable legislation - which are particularly complex with reference to medical devices - in addition to exposing the Group to the risk of litigation, can also determine a loss of reputation with customers and contractual counterparties. With regard to hearing aids, however, since the Group purchases all of its products from third-party manufacturers, the Group cannot be held responsible for any defects that may affect the products distributed by the Group to its customers, as such liability lies with the manufacturers. However, it cannot be ruled out that consumers may look to take legal action/sue the Group for supplying the defective product. In addition, any quality issues relating to the products and the use and operation of the Amplifon App (including the hypothetical occurrence of personal data breaches and technical failures) may adversely affect the Group's business.

Without prejudice to the foregoing considerations, it is not possible to exclude the risk of litigation or the risk of events occurring that could determine the loss of the Group's reputation and as a result cause negative effect to the Group's activities and, consequently, on its economic and financial situation. Furthermore, the amounts allocated to the reserve fund may not be sufficient to cover claims for damages and charges attributable to the Group. The insurance policies may also be subject to deductibles, and/or the related maximum limits may not be sufficient to cover claims for damages, which would therefore remain partially the responsibility of the Group.

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### 1.3.15 Risks associated with disputes

The Group is exposed to the risk of being involved in legal proceedings and disputes in the normal course of its business.

In order to mitigate this risk, the Group makes specific and adequate provisions to the dispute risk fund. Despite this, in the event of a dispute, these provisions may not be sufficient to fully cover the Group's losses.

Furthermore, the outcome of a dispute or investigation is inherently difficult to predict and assess and therefore it cannot be excluded that the Group will not be successful in the outcome of said dispute. Similarly, it cannot be ruled out that the Group may be subject to civil, administrative or criminal sanctions following an investigation against it.

The occurrence of these events may entail significant costs for the Group and therefore have a negative impact on its financial condition and on its operating results.

### 1.3.16 Risks associated with the disruption or violation of the Group's IT systems

The Group makes use of a reliable and secure IT system for the storage of financial and legal data, and the management of administrative functions that are relevant to the business. The Group allocates significant resources to maintain its IT system and implements network security, data encryption, staff training and protection measures against unauthorized access or misuse of information, development and use of the Amplifon App, the CRM system (aimed at analyzing and managing data and interaction with customers in order to improve service and encourage loyalty), and the "Oracle Enterprise Resource Planning Cloud" to support back-end processes of the Group.

The Group may be subject to computer system failures, network outages and data security breaches due to known or unforeseen events, which may be independent of (and not under the control of) the Group. In addition, the collection of user data (including consumer behavioral data) may result in an increased risk of associated issues with data security.

Any breaches, failures and/or interruptions within the operation of the Group's IT systems may have a negative effect on the Group's brand, the Group’s reputation, its relationship with customers or business partners, or on the perception of the Group, the business, the products or the services by consumers and investors. The aforementioned failures, breaches or interruptions may also cause interruptions in the Group's operations, loss of customers or business partners data or determine additional costs for the Group to manage any investigations by regulatory authorities or litigation.

The events described above could have negative effects on the Group's operating results and its financial situation.

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# 2. INFORMATION RELATING TO THE OPERATION

## 2.1 Brief description of the terms and conditions of the Operation

The Project is implemented by way of the contribution in kind of the Italy Division in favor of the Receiving Company, as of the Effective Date, with full release of the capital increase as per resolution by the Shareholders' Meeting of Amplifon Italia on March 22, 2021, described in more detail in the following Paragraph 2.1.2 (the "**Italian Capital Increase**").

As communicated to the public, most recently on March 3, 2021, the Reorganization Project is aimed at redefining Amplifon's corporate structure by separating the operational activities in Italy from the Group's strategic direction and management activities, carried out by Amplifon. In particular, the main objective of the project is to render Amplifon's company structure consistent with the evolution of the multinational nature and organizational structure of the Group. In this context, Amplifon will deal with the definition and development of the strategic direction and strategic coordination activities for the entire Group, while the supervision of operational activities in Italy will be in the charge of Amplifon Italy.

### 2.1.1 Description of the assets subject to the Contribution

The Italian Business Division which is subject to the Contribution is described below.

**Italy Division**

The Italy Division, owned by the Issuer and described in more detail below, has been the subject of a contribution to Amplifon Italia, as of the Effective Date, as provided in the contribution deed stipulated on April 12, 2021 with full release of the capital increase of Amplifon Italia, as per resolution of the Shareholders' Meeting of Amplifon Italia held on the same date.

The scope of the Italy Division is the management and coordination of the Italian business, including activities relating to purchasing, logistics, marketing, medical activities, the opening and maintenance of points of sale, sales and commercial support, IT, human resources, as well as administration, finance and control and legal affairs. The Italy Division operates with a work force of 419 people as of December 31, 2020.

From an operational standpoint the Italy Division currently focuses on the sale of acoustic solutions in Italy. In 2020 revenue was €217.9 million from the sale of Hearing Aids (HA) and €59.1 million from the sale of other products (batteries, cleaning products electronic products, connectivity accessories).

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The 2020 financial year was significantly affected by the Covid-19 pandemic, in 2019 the total revenue was €335.8 million. Nonetheless, sales activity is gradually recovering as of the second half of the year.

The territory is split into 3 Regions and 36 areas with a total of 599 shops and 95 mini shops. The distinction between the two shop types lies within a series of operational characteristics, in particular: the physical size, the possibility of having a warehouse space and the degree of computerization.

All of the shops are rented, none are owned. In addition, there are 3,241 Touch Points ("store-in-store", corners, hubs), the Italian business also collaborates with a large number of opticians and chemists. The HA market is classified commercially under three subtypes: "Free Market", "Partially Funded Market" e "Social Services Market".

In the "Free Market", the hearing-impaired customer purchases the acoustic solution at his or her own expense. In the two reaming markets (so called prescription based, inasmuch as an authorization from a local branch of the ASL [National Health Service] is necessary) the State subsidizes the cost. In the "Social Services Market" the cost is covered in total by the State, and indeed the invoice is issued to the ASL. In the "Partially Funded Market" part of the cost is incurred by the State with the remainder at the expense of the hearing-impaired customer, (and indeed two invoices are issued). The two "prescription" markets are regulated by a National Tariff Index.

Regarding the network of shops, 613 of the point of sales - including some of the mini shops - are managed by "*autogestori*" [self-managers]. Self-management is the result of a dual contract, an agency contract with provisions for storage of the products and a company branch rental. The remaining 81 shops are managed by employees.

The total number of people who work nationwide in shops (employees, AA and their assistants) is 1,690. As of December 31, 2020, the number of employees in the Italy Division was 419.

The Italian cost structure is particularly flexible, indeed approximately 63% of the costs are variable (essentially commissions, premiums and cost of sale). The overall business margin (EBITDA reference) is significant.

Amplifon operates with four of the five main global manufacturing players.

Competitors within Italy are: Retail chains owned by the main manufacturers of HA, and independent hearing care specialists. None of the main chains is present in southern Italy.

Amplifon's market share in Italy is approximately 40% and its shop share is approximately 26%.

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The opportunity to utilize a brand with considerable commercial awareness, market share and a capillary territorial presence in each region, constitute the business division's strengths, ensuring a sustainable competitive advantage in the medium term.

The Contribution of the Italy Division was made at book value and, therefore, is deemed as in line with the values resulting from Amplifon's financial statements.

### 2.1.2 Method of implementation and terms and conditions of the Operation and criteria for the determination of the value of the Italy Division

***METHOD OF IMPLEMENTATION AND TERMS AND CONDITIONS OF THE OPERATION***

The Operation is completed by way of a contribution, as of the effective date, by the Issuer, of the Italy Division, upon release of the Italian Share Capital Increase, according to the following method and terms and conditions.

**Contribution of the Italy Division**

With reference to the implementation method of the Contribution of the Italy Division, on 12 April 2021 the Shareholders' Meeting of Amplifon Italia passed a resolution to the effect that, *inter alia*:

(i) a share capital increase, pursuant to Article 2481-*bis* of the Italian civil code ("**Civil Code**"), against payment, for a nominal amount of €90,000, with a premium of €24,910,000, for a total price of €25,000,000, reserved for the sole shareholder Amplifon, to be subscribed and paid up by the Effective Date, through the Contribution of the Italy Division, as of the Effective Date (the "**Amplifon Italia Capital Increase**"); and

(ii) the transformation of Amplifon Italia into a joint stock company pursuant to Article 2498 and following Articles of the Civil Code, with the simultaneous issue of ordinary shares, with unexpressed par value and regular enjoyment as of the date of issue, and the adoption of a new statute, with effect from the Effective Date.

On April 12, 2021 a contribution deed in relation to the contribution of the Italy Division to Amplifon Italia was stipulated.

The resolutions adopted by the Shareholders' Meeting of Amplifon Italia and the contribution deed relating to the Italy Division were registered in the Milan Register of Companies on April 15, 2021.

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***EXPERT EVALUATION OF THE OPERATION***

For the purpose of evaluating the Italy Division for the release of the Italian Capital Increase, it was necessary to prepare and approve a reference balance sheet as of December 31, 2020 relating to the Italy Division, which was approved by the Company Board of Directors that met on March 3, 2021.

In addition, pursuant to Article 2465, paragraph 1, of the Civil Code, the Company appointed an Expert for the purpose of preparing the Appraisal Report.

The Appraisal Report – for which an affidavit was sworn on April 12, 2021 before the Notary Calafiori – contains, *inter alia*, a brief description of the composition of the Italy Division, as well as the most important items of assets and liabilities on the balance sheet as at December 31, 2020 for the Italy Division.

In particular, for the purposes of the assessments it contains a reading of the Appraisal Report shows that:

(a) the operational activity plan managed directly by the Italian Business Unit was used, as prepared by the management of Amplifon, with reference to the period January 1, 2021 – December 31, 2025;

(b) taking into account the purpose of the estimate, the typical nature of the business unit being assessed as well as the type of current and prospective data available, it was deemed appropriate, as the main method of evaluation, to refer to the mixed asset based and revenue-based method;

(c) applying the mixed asset based and revenue-based method, the value of the adjusted net assets (K) was estimated, excluding the value of intangible assets, which are determined autonomously in the unit value of goodwill;

(d) given the structure and dynamics of the sectors in which the Italy branch operates as well as the positioning and competitive prospects of the company, a direct estimate of the "goodwill" was made taking into account a duration of the over-return prudentially set to 25 years;

(e) considering the type of company and the activity carried out by the company being valued, as well as the considerations previously made, it was deemed appropriate to use the revenue-based method as the control method, for the sake of consistency with the main method in the "levered" version;

(f) considering the type of company being valued and the purpose of the estimate, it was considered appropriate to compare the results obtained from the application of the main method also with the results obtained based on the "multipliers method" (second control method);

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(g) finally, for sake of completeness, the results deriving from multiples, derived from «comparable transactions» (*Deal Multiples or Guideline Company Transactions Method*) were taken into account.

As a result of the estimates made, the Expert reached a conclusion determining the value of the economic capital of the Italy Division as of December 31, 2020, using the mixed asset based and revenue-based method to be well above the value of net assets quantified for the purpose of the contribution of said Italy Division at €25,000,000.

In addition, as indicated in the Appraisal Report, using the revenue-based method as a first control method, the result determines (again as of December 31, 2020) the value of the economic capital of the Italy Division to be well above the value obtained on the basis of applying the main mixed asset based and revenue-based method.

Finally, the multipliers method, as a second control method, using comparable listed companies and comparable transactions showed that the value obtained by applying the main method was also confirmed, in terms of extreme prudence, even by the application of a method that provides an estimate of a "probable market price" for the company in question.

In conclusion, the Appraisal Report shows that the results obtained with the application of the mixed asset based and revenue-based method are confirmed, in their reasonableness and prudence, both by the application of the revenue method, used as a first control method, and by the application of the market multipliers method (of listed companies and comparable transactions), as a second control method.

In light of the results of the assessments that were carried out, the Appraisal Report includes the certification, as provided by Paragraph 1 of Article 2465 of the Italian Civil Code, according to which «*the value of the Italy Division which is subject to contribution by Amplifon is, on the reference date, at least equal to the value attributed to it for the purpose of determining the share capital increase and the share premium for the receiving company following the proposed contribution*».

***THE ENTITY RECEIVING THE CONTRIBUTION***

As a result of carrying out the contribution of the Italy Division, as of the Effective Date, Amplifon Italia shall have the following characteristics.

Amplifon Italia shall become a joint stock company adopting the name "Amplifon Italia S.p.A.".

Amplifon Italia shall continue to have Amplifon as its sole shareholder and shall continue to be subject to the management and coordination of Amplifon pursuant to Article 2497 and successive articles of the Italian Civil Code.

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Amplifon Italia has its registered offices at Nos 131/133, 20141, via Ripamonti, Milan, Italy, with tax code 11567540965 and registration number listed within the Register of Companies of Milan, Monza Brianza Lodi MI - 2611191.

The corporate purpose of Amplifon Italia mainly consists of carrying out the management and coordination activities of the Italian business, including those activities relating to: purchasing, logistics, marketing, medical activities, opening and maintenance of stores, sales and commercial support, IT, human resources, administration, finance and control and legal affairs.

The share capital of Amplifon Italia shall be €100,000 split into 100,000 shares with no par value.

As of the Effective Date, Amplifon Italia will be managed by a board of directors made up of three members, namely: Iacopo Lorenzo Pazzi, as chairman of the board of directors, Carlo Carollo and Massimo Michelini, appointed by the Shareholders' Meeting of Amplifon Italia on April 12, 2021 and effective as of May 1, 2021.

The members of the Board of Directors shall remain in office until the date of the Shareholders' Meeting that will call for the approval of the Financial Statements as of December 31, 2023.

As of the Effective Date, Amplifon Italia will also have a control body consisting of a Board of Statutory Auditors made up of three members, namely: Maria Stella Brena, as chairman of the board of statutory auditors, Emilio Fano and Fasbrizio Nardi, as standing auditors, and Maurizio Pesaresi and Gabriele Pesaresi, as substitute auditors, appointed on April 12, 2021 and effective as of May 1, 2021 until the date of the Shareholders' Meeting that will call for the approval of the Financial Statements as of December 31, 2023.

Amplifon Italia's Legal Audit is assigned to KPMG S.p.A. until the date of the Shareholders' Meeting that will call for the approval of the Financial Statements as of December 31, 2023.

### 2.1.3 Shareholder structure of Amplifon and of any controlling party pursuant to Article 93 of the TUF following the Capital Increase and effects of this transaction on any significant shareholders' agreements pursuant to Article 122 of the TUF concerning the Issuer's shares where such effects have been communicated by the parties to said agreements

As the Operation relates to the Contribution in Kind of the Italy Division to Amplifon Italia, whose share capital is held entirely by the Issuer, no change in Amplifon's control chain is involved.

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## 2.2 Operation reasons and objectives

### 2.2.1 Operation reasons with specific regard to the management objectives of the Issuer

The Operation is aimed at redefining Amplifon's corporate structure by separating the operational activities in Italy from the Group's strategic direction and management activities, carried out by Amplifon. In particular, the main objective of the project is to render the Group's company structure consistent with the evolution of the organizational structure and the multinational nature of the Group. In this context, Amplifon will deal with the definition and development of the strategic direction and strategic coordination activities for the entire Group, as well as centralized Group purchasing, while the supervision of operational activities in Italy will be managed by Amplifon Italy, the company dedicated to such function.

### 2.2.2 Indication of the programs drawn up by Amplifon in relation to the Italy Division and the Receiving Company, with specific regard to industrial prospects and any restructuring exercises and/or reorganizations

As of the date of this Information Document, the Board of Directors if the Issuer has not adopted any decision in relation to carrying out any extraordinary operations in relation to the Receiving Company and/or any further reorganizational operations with respect to the Receiving Company.

However, the possibility that, in future, the Issuer's Board of Directors may initiate feasibility studies for operations aimed at making the business of the Receiving Company even more innovative and efficient cannot be excluded.

## 2.3 Relations with the Receiving Company

### 2.3.1 Relations with the Receiving Company

***GROUP STRUCTURE AFTER THE OPERATION***

As of the date of this Information Document, the share capital of the Receiving Company is held entirely by the Issuer and, therefore, the Receiving Company constitutes a "Related Party" of the Company in accordance with and pursuant to the RPT Regulation and the RPT Procedure.

Even after the Effective Date, the share capital of the Receiving Company will continue to be held entirely by the Issuer, and likewise the Issuer will continue to exercise management and coordination activities over said Receiving Company pursuant to Article 2497 and successive Articles of the Italian Civil Code.

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*DIVIDEND POLICY*

The Company and the Group of which the Company represents the parent company have not adopted any dividend policy.

*MAIN RELATIONSHIPS WITH THE RECEIVING COMPANY*

The relationships with the Receiving Company, whose contracts are being formalized at the date of this document, are briefly described below.

The Receiving Company will purchase from the Issuer:

- a wide range of IT services consisting of the management and maintenance of the systems used for carrying out its business activities, including systems for managing administration, accounting, invoicing, logistics, the management of orders for goods and services and the management of shops and personnel;
- administrative staff management services (payslips, declarations, obligations, etc.);
- strategic, financial and organizational services;
- equipped (office) space management services in relation to the office space used by the Receiving Company in Milan offices at Nos 131/133, via Ripamonti, Milan including all ancillary services such as, cleaning, maintenance, security, gardening, reception, etc.

In turn, the Issuer will purchase from the Receiving Company a series of accounting and administrative services for the accounting and administrative management of the company.

### 2.3.2 Significant relationships and agreements between the Issuer, the companies controlled by it, the managers and the members of the administrative body of the Issuer and of the Receiving Company

It should be noted that Mr. Iacopo Lorenzo Pazzi, who, with effect from the Effective Date, will be a member of the administrative body of the Receiving Company is, as of the date of this Information Document, a manager with strategic responsibilities of the Issuer.

Without prejudice to the foregoing and as indicated in the previous paragraph 2.3.1, there are no significant relationships and agreements in place between the Issuer, the companies controlled by it, the managers and the members of the administrative bodies of the Issuer and the Receiving Company.

## 2.4 Documents that are available to the Public

This Information Document, together with its attachments, is published, pursuant to applicable laws and regulations, on the Governance section of the Issuer's website (www.corporate.amplifon.com), as well as at the registered offices of the Receiving Company and the Issuer, for the benefit of all of those who are entitled to view them.

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# 3. SIGNIFICANT EFFECTS OF THE OPERATION

## 3.1 Significant effects of the Operation on key factors that influence and characterize the Issuer's activities as well as the type of business carried out by the Issuer.

The implementation of the Operation implies that as of the Effective Date, Amplifon will operate as the Parent Company of the Industrial Group directly controlling the Receiving Company.

## 3.2 Implications of the Operation on the strategic lines associated with relations between Group companies in relation to commercial, financial and centralized services issues.

The implementation of the Project will not entail significant changes in the strategic lines relating to the commercial and financial relationships between the Group companies, with due exception for the above-mentioned relations between the Issuer and the Receiving Company (essentially relating to the provision of services and purchasing that are centralized at Group level, for the most part by the Issuer for the benefit of the Receiving Company).

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# 4. FINANCIAL STATEMENT DATA RELATING TO THE ASSETS INVOLVED IN THE CONTRIBUTION

## 4.1 Statement of financial position for the assets and liabilities involved in the Contribution and income statement as at December 31, 2020.

The Operation has no effect on the Issuer and Group's financial balance sheet as it is a significant transaction carried out between entities "under common control" according to IFRS: specifically, the Contribution was made in accordance with the principle of continuity of values, and therefore the value of the equity interest in the Transferee, as entered in the Issuer's separate financial statements on completion of the Operation, and the adjustments made at the Effective Date mean that the Issuer's equity at the Effective Date is the same as that at December 31, 2020.

In order to show the size of the assets, liabilities, revenues, costs, income and charges transferred by the Issuer to the Transferee, the statement of financial position for the assets and liabilities involved in the Contribution and the income statement as at December 31, 2020 are presented below.

The values shown therefore represent the sum of the assets, liabilities, revenues, costs, income and charges relating to the Italy Division. The operational characteristics of the Italy Division and the nature of the assets and liabilities involved in the Contribution are detailed in the previous section 2.1.1, as well as in the Appraisal Report attached to this Information Document.

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## NET ASSETS CONTRIBUTED

| (€ thousands) | December 31, 2020 |
|---|---|
| **ASSETS** | |
| **Non-current assets** | |
| Goodwill | 536 |
| Intangible fixed assets with finite useful life | 6.861 |
| Tangible fixes assets | 18.531 |
| Right-of-use assets | 68.895 |
| Investments | 1 |
| Deferred tax assets | 3.779 |
| Contract costs | 2.495 |
| Other non-current assets | 12.507 |
| **Total non-current assets** | **113.605** |
| **Current assets** | |
| Inventories | **8.752** |
| Trade receivables | **36.919** |
| Contract costs | **2.129** |
| Other receivables | **11.471** |
| Current financial assets - Subsidiaries | **50** |
| Cash and cash equivalents | **20.932** |
| **Total current assets** | **80.253** |
| **TOTAL ASSETS** | **193.858** |
| | |
| **LIABILITIES** | |
| **Non-current liabilities** | |
| Lease liabilities | **56.258** |
| Provision for risks and charges | **17.375** |
| Liabilities for employees' benefit | **2.686** |
| Contract liabilities - long term | **26.684** |
| Deferred tax liabilities | **769** |
| **Total non-current liabilities** | **103.771** |
| **Current liabilities** | |
| Other third party liabilities | **29.180** |
| Contract liabilities - short term | **22.833** |
| Lease liabilities | **13.073** |
| **Total current liabilities** | **65.087** |
| **TOTAL LIABILITIES** | **168.858** |
| **Going concern contributed net asssets** | **25.000** |
| **Total liabilities and going concern contributed net assets** | **193.858** |

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The amount recognized in the item “Net assets of the Italy Division” as at December 31, 2020 corresponds to the sum of the net assets involved in the Contribution and thus to the value of the Italy Capital Increase.

The Italy Capital Increase amounts to €25,000,000, as indicated in Section 2.1.2 above.

As described in the next Section 5, the Issuer recognizes in the statement of financial position an increase of the same amount in the value of the Investments in subsidiaries, i.e. €25,000,000, since the Operation was carried out in accordance with the principle of “continuity of values”.

**INCOME STATEMENT RELATING TO THE NET ASSETS CONTRIBUTED**

| (Euro/000) | |
|---|---|
| | **Transferee** |
| Revenues from Sales and other services | 277.059 |
| Operating costs | -177.715 |
| Other income and costs | -5.531 |
| **Gross operating Profit** | **93.813** |
| Depreciation and Amortization | -22.964 |
| **Operating Profit** | **70.850** |
| Net financial expenses and revaluation and adjustments of financial assets | -1.511 |
| **Profit (loss) before taxes** | **69.339** |
| Tax, current and deferred | 704 |
| **Net profit (loss)** | **70.043** |

### 4.1.1 General principles and accounting standards

#### General principles

The statement of financial position for the assets and liabilities involved in the Contribution and the income statement as at December 31, 2020 (together the “**Statements**”), have been drawn up in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Union. The term IFRS refers to the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS), supplemented by the interpretations issued by the International

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Financial Reporting Interpretation Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC).

In addition, the Statements, drawn up in thousands of Euros, have been prepared on the basis of the classification system for financial statement items adopted by the Issuer in accordance with the measures adopted by Consob with regard to financial statements pursuant to Article 9 of Legislative Decree no. 38/2005 and the other Consob rules and regulations on financial statements.

**Accounting standards and valuation methods**

For the preparation of the Statements, the general historical cost method has been applied, with the exception of items recognized at fair value according to IFRS, as specified in the valuation methods for the individual items listed below.

**Use of estimates**

The preparation of the Statements requires the use of estimates and assumptions that have an effect on the values of assets and liabilities recognized in the Statements, as well as on the information relating to contingent assets and liabilities as at the reference date.

The actual results could differ from those estimates.

Estimates are used to recognize the fair value of financial instruments, provisions for credit risks, inventory obsolescence, depreciation, asset impairment write-downs or reversals, employee benefits, taxes and provisions for risks and charges.

Estimates and assumptions are periodically reviewed and the effects of any changes are immediately reflected in the income statement, in the comparative tables for future periods in which the change in estimates is made.

**Accounting Standards**

Goodwill

Goodwill is recognized in the financial statements at the time of business combinations and initially recorded at the incurred cost value, equal to the excess of the consideration for the business combination transaction with respect to the Group's share of the net fair value of the assets, liabilities and contingent liabilities.

Goodwill is classified under intangible assets. From the date of acquisition, 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 arising from the combination,

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regardless of whether other assets or liabilities of the acquired entity are assigned to those units or groups of units.

After the initial recognition, goodwill is not amortized but valued at cost less any accumulated impairment losses (see next note).

Tangible fixed assets

Tangible fixed assets are recognized at their purchase or production cost, including directly attributable ancillary expenses.

The initial carrying amount of tangible assets, or significant components thereof (with the exception of land), net of the residual value, is depreciated on a straight-line basis over the useful life and written down for impairment losses. Depreciation begins when the asset is available for use and ceases when the asset reaches the end of its useful life or is classified as held for sale (or included in a disposal group classified as held for sale). Both the useful life and the depreciation method, as well as the residual value, are reviewed periodically and, where significant changes are observed with respect to the assumptions previously adopted, the share of depreciation for the period and subsequent periods is adjusted.

Non-incremental maintenance costs are charged to the income statement in the period during which they are incurred. Incremental maintenance costs are attributed to the assets to which they relate and amortized in relation to the residual possibility of use.

Costs of improvements to third-party assets, in relation to real estate, shops and branches run under operating leases, are capitalized and amortized on the basis of the term of the lease or the useful life of the installed asset, if shorter.

The depreciation periods are shown in the following table:

| *Description* | *Years* |
| --- | --- |
| Buildings, constructions and improvements to third-party assets | 5-25 |
| Plant and machinery | 5-16 |
| Industrial and commercial equipment | 4-10 |
| Automobiles and internal vehicles | 3-9 |
| Computers and office machinery | 3-7 |
| Furniture and furnishings | 3-10 |
| Other tangible fixed assets | 4-8 |

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<u>Impairment of intangible fixed assets, tangible fixed assets, right-of-use assets, investments in subsidiaries and goodwill</u>

The recoverable amount of an asset is tested when there is an indication that the asset may have been impaired, and for intangible fixed assets with an indefinite life, intangible fixed assets under construction and goodwill, at least once a year. The recoverable amount is defined as the greater of the fair value net of sales costs and the value in use.

The fair value is the price that could be received when selling an asset or paid when transferring a liability in an ordinary transaction between market participants at the valuation date.

The value in use is determined by reference to the present value of the estimated future cash flows that are expected to result from the continued use of an asset and from its disposal at the end of its useful life, discounted by applying a post-tax discount rate that reflects current market valuations of the present value of money and the specific risks associated with the asset. If an individual asset does not produce independent cash flows, it is not possible to determine its value in use. In this event, the value will be estimated with reference to the cash-generating unit to which the asset belongs.

With regard to goodwill, the impairment test is determined at the level of the groups of cash-generating units to which the goodwill is attributable and on the basis of which the return on investment – which includes goodwill – is assessed directly or indirectly.

Impairment losses are recognized in the income statement when the carrying amount of the asset is greater than the recoverable amount. With the exception of goodwill, for which impairment losses cannot be reversed, when an impairment ceases to exist or decreases, the carrying amount of the asset is increased to the recoverable amount. The increased carrying amount of an asset due to a reversal of an impairment loss does not, in any event, exceed the carrying amount that would have been determined (net of depreciation or amortization) if no lasting impairment loss had been recognized for the asset in previous years. Reversals of impairment losses for an asset are recognized immediately as income in the income statement.

*<u>Leases</u>*

When signing a contract, an assessment is made as to whether it is, or contains, a lease or whether the contract confers the right to control the use of an identified asset for a period of time in exchange for a consideration.

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*Accounting policies applicable to the Company as lessee*

Amplifon adopts a single recognition and measurement model for all leases, except for short-term leases and leases for low-value goods. Amplifon recognizes the liabilities related to lease payments and the right-of-use asset that represents the right to use the asset underlying the contract.

*Right-of-use assets*

Amplifon recognizes right-of-use assets at the lease start date (i.e. the date on which the underlying asset is available for use). Right-of-use assets are measured at cost, net of accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of the lease liabilities recognized, the initial direct costs incurred, and the lease payments made on or before the start date, net of any incentives received.

Right-of-use assets are depreciated on a straight-line basis from the start date until the end of the useful life of the asset consisting of the right of use or, if earlier, at the end of the term of the lease.

Right-of-use assets are subject to impairment. See "*Impairment of non-financial assets*".

*Lease liabilities*

On the start date of the lease, Amplifon recognizes the lease liabilities by measuring them at the present value of the lease payments due and not yet paid on that date. Payments due include fixed payments (including substantially fixed payments) net of any lease incentives to be received, variable lease payments that depend on an index or rate, and amounts expected to be paid in respect of guarantees of residual value. Lease payments also include the exercise price of a purchase option if there is reasonable certainty that such option will be exercised, and lease termination penalty payments if the term of the lease takes into account Amplifon's exercise of the lease termination option.

Variable lease payments that do not depend on an index or rate are recognized as costs in the period during which the event or condition that generated the payment occurs.

In calculating the present value of the payments due, Amplifon uses the marginal lending rate at the start date if the implicit interest rate cannot be easily determined. After the start date, the amount of the lease liability is increased to take account of interest on the lease liability and decreased to take account of payments made. In addition, the carrying amount of lease liabilities is restated in the event of any changes to the lease or revision of the contractual terms due to modification of the payments; it is also restated if changes are made to the valuation of the purchase option on the underlying asset or in the event of modifications to future payments resulting from a change in the index or rate used to determine such payments.

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*Concessions deriving from the effects of COVID-19*

The Company has benefited from the amendment to IFRS 16 published by the International Accounting Standards Board (IASB) on May 28, 2020 and transposed by the institutional bodies of the EU on October 9, 2020, which introduced a practical expedient whereby lease renegotiations carried out as a result of the COVID-19 pandemic and resulting in a reduction in rent payments due for periods up to June 30, 2021 are not considered to be contractual amendments and their effects are therefore accounted for as variable rents with a positive impact on the income statement.

This exemption applies where the following conditions are met:

- the rent concession is a direct consequence of the COVID-19 pandemic and the reduction of payments affects only those originally due on or before June, 2021;
- the change in payments results in the consideration for the lease being the same or less than the amount payable under the original conditions;
- there are no other substantive changes to the other terms and conditions of the lease.

*Short-term leases and low-value asset leases*

Amplifon applies the exemption for the recognition of leases relating to low-value assets, such as PCs, printers, electronic devices, and to leases with a term of 12 months or less that do not contain purchase options (short-term leases), excluding the “shops” category. Rents relating to short-term leases and low-value asset leases are recognized as costs on a straight-line basis over the lease term.

*The Company as lessor*

Leases that essentially leave all risks and benefits related to ownership of the asset with the Company are classified as operating leases. Lease income from operating leases must be recognized on a straight-line basis over the lease term, and is included in income in the income statement due to its operational nature. Initial negotiation costs are added to the carrying amount of the leased asset and recognized on the basis of the lease term, on the same basis as lease income. Unbudgeted rents are recognized as revenues in the period during which they accrue.

*Sub-leases*

Amplifon, as intermediate lessor in a sub-lease contract, classifies the sub-lease as financial or as operational as follows:

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a) if the main lease is a short-term lease for which the Company has made use of the practical expedient, the sub-lease is classified as an operating lease;

b) otherwise, the sub-lease is classified by reference to the asset consisting of the right of use arising from the main lease, rather than by reference to the underlying asset (for example, the leased item of property, plant and equipment).

In particular, if the sub-lease is classified as an operating lease, the original lessee continues to account for the liability arising from the lease and the right-of-use asset arising from the main lease in the same way as for any other lease.

If the net carrying amount of the right-of-use asset arising from the main lease exceeds the expected income from the sub-lease, this may indicate that the right-of-use asset associated with the main lease has suffered a loss of value. A right-of-use asset is valued for impairment in accordance with IAS 36.

If the sub-lease is classified as a financial lease, the original lessee removes the right of use from the asset in the main lease at the start date of the sub-lease and continues to account for the original lease liability in accordance with the lessee's accounting model.

Financial assets and liabilities

Financial assets (excluding derivatives)

Financial assets are classified on the basis of the business model adopted for their management and the characteristics of the related cash flows.

a) Financial assets valued at amortized cost

Financial assets are classified in this category when the following requirements are met:

a) the asset is held in the context of a business model whose objective is possession of the asset in order to collect contractual cash flows; and

b) the contractual terms of the asset provide for cash flows represented solely by payments of principal and interest on the capital amount to be repaid.

These are mainly receivables from customers, loans and other receivables.

Trade receivables that do not contain a significant financial component are recognized at the price defined for the relevant transaction (determined in accordance with IFRS 15 "Revenue from Contracts with Customers").

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Other receivables and loans are initially recognized in the financial statements at their fair value plus any ancillary costs directly attributable to the transactions that generated them.

For subsequent measurements, amortized-cost financial assets, with the exception of receivables that do not contain a significant financial component, are measured using the effective interest rate. The effects of this measurement are recognized among the financial components of income.

With reference to the impairment model, receivables are valued using an expected loss approach.

For trade receivables, a simplified approach to valuation is adopted that does not require the recognition of periodic changes in credit risk, but rather the recognition of an Expected Credit Loss (ECL) calculated over the entire life of the receivable (lifetime ECL).

In particular, the policy applied involves the stratification of receivables, broken down by homogeneous risk categories. These categories are subjected to different impairment rates that reflect the respective expectations of recovery. They are based on historical percentages and any forward-looking elements that could affect the reasonable expectation of recovery. Trade receivables are recorded entirely in the absence of a reasonable expectation of recovery (e.g. past due beyond a certain threshold, bankruptcy and/or commencement of legal action).

With regard to non-current financial assets, relating to loans granted by American subsidiaries to franchisees and members of the Elite network to support investment and development activity in the United States, the Group adopts the general approach for their valuation, which requires verification of any increase in credit risk at each reporting date.

Financial assets at fair value with contra-entry in the statement of comprehensive income ("FVOCI")

Financial assets are classified in this category when the following requirements are met:

a) the asset is held in the context of a business model whose objective is achieved both through the collection of contractual cash flows and through the sale of the asset; and

b) the contractual terms of the asset provide for cash flows represented solely by payments of principal and interest on the capital amount to be repaid.

They therefore typically include trade receivables that the Company at times sells through non-recourse factoring operations.

These assets are initially recognized in the financial statements at their fair value plus any ancillary costs directly attributable to the transactions that generated them. For subsequent measurements,

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the valuation made at the time of initial recognition is updated and any changes in fair value are recognized in the statement of comprehensive income.

With reference to the impairment model, this follows the description provided in point a) above.

Financial assets at fair value with contra-entry in the consolidated income statement ("FVPL")

Financial assets that are not classified in any of the previous categories are classified in this category (i.e. residual category). These consist mainly of derivatives.

Assets in this category are recognized at fair value at the time of their initial recognition. The ancillary costs incurred at the time of recognition of the asset are immediately charged to the consolidated income statement. For subsequent measurements, FVPL financial assets are measured at fair value. Gains and losses arising from changes in fair value are accounted for in the consolidated income statement in the period during which they are recognized, under "Gains (Losses) from assets valued at Fair Value".

Purchases and disposals of financial assets are accounted for at the settlement date.

Financial assets are removed from the statement of financial position when the related contractual rights expire, or when the Company transfers all risks and benefits of ownership of the financial asset.

Financial liabilities (excluding derivatives)

Financial liabilities include financial payables, lease payables, and trade payables.

Payables to banks and other lenders are initially recognized at fair value net of directly attributable transaction costs and subsequently measured at amortized cost, using the effective interest rate method. If there is a change in expected cash flows, the value of the liabilities is recalculated to reflect said change on the basis of the present value of the new expected cash flows and the initially determined internal rate of return.

Where legal rights to compensation arise, the possibility of stating the cash net of current account overdrafts is assessed.

Trade payables are obligations to pay for goods or services acquired from suppliers in the ordinary course of business. Payables to suppliers are classified as current liabilities if payment will take place within one year from the reporting date, otherwise these payables are classified as non-current liabilities.

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Trade payables and other payables are recognized initially at fair value and subsequently measured according to the amortized cost method.

When a financial liability is hedged against interest-rate risk in a fair value hedge, changes in fair value due to the hedged risk are not included in the calculation of amortized cost. These changes are amortized from the moment that fair value hedge accounting is discontinued.

With reference to lease liabilities, see "*Leases*".

Financial liabilities are derecognized from the financial statements when the obligation underlying the liability is lapsed, canceled or fulfilled.

Contractual changes relating to financial liabilities are measured from a qualitative and quantitative perspective (via the 10% test) to determine whether they are substantive in nature and therefore require a derecognition of the original liability. In the case of non-substantive changes, the impact of the changes is recognized in the income statement.

In the case of "put and call" options granted to minority shareholders that guarantee their settlement in cash in exchange for cash or another financial asset, based on IAS 32, a financial liability equal to the best estimate of the exercise price of the option is recognized. This liability is subsequently remeasured at each reporting date. The accounting policy adopted provides any change in the value of the liability to be recognized in equity.

Financial derivatives

As of January 1, 2019, Amplifon adopted the provisions of IFRS 9 with regard to hedge accounting, for which it had previously used the provisions of IAS 39.

Financial derivatives are traded in order to neutralize the financial risks to which Amplifon is exposed and which it decides to hedge in accordance with the developed strategy.

The documentation formalizing the hedging relationship to which hedge accounting is intended to be applied includes identification of:

- the hedging instrument;
- the hedged item or transaction;
- the nature of the risk;
- how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

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At initial recognition, these instruments are measured at fair value. At subsequent reporting dates, the fair value of the derivatives must be remeasured, and:

- if these instruments do not meet the requirements for hedge accounting, changes in fair value arising after initial recognition are charged to the income statement;
- if these instruments meet the requirements for a fair value hedge, from that date any changes in the fair value of the derivative are recognized in the income statement; where changes in fair value due to the hedged risk are charged to adjust the carrying amount of the hedged item, with a contra-entry in the income statement; any ineffectiveness of the hedge is recognized in the income statement, in a separate item from that in which changes in the fair value of the hedging instrument and the hedged item are classified;
- if these instruments meet the requirements for a cash flow hedge, from that date any changes in the fair value of the derivative are charged to equity only for the effective portion of the hedge and to the income statement for the ineffective portion; any changes in the fair value of the derivative charged to equity are reclassified to the income statement in the period during which the hedged transaction affects the income statement; where the subject of the hedge is the purchase of a non-financial asset, any changes in the fair value of the derivative charged to equity are reclassified to adjust the purchase cost of the hedged asset ("basis adjustment");
- if these instruments meet the requirements for a hedge of a net investment of a foreign operation, from that date any changes in the fair value of the derivative adjust the "conversion difference" only for the effective portion of the hedge and are charged to the income statement for the ineffective portion;
- the hedge is performed by the designated instrument, considered in a unified manner. In the case of options or forward contracts, however, only a part of the derivative is designated as a hedging instrument, while the residual component is charged to the income statement. In the case of options, only changes in fair value due to variations in the intrinsic value are designated as a hedging instrument, whereas changes in the fair value of the option due to changes in the time value are charged to the income statement and are not taken into account in assessing the effectiveness of the hedge. In the case of forward contracts, only changes in fair value due to changes in the spot rate are designated as a hedging instrument, whereas changes in fair value due to changes of forward points are charged to the income statement and are not accounted for when assessing the effectiveness of the hedge.

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If the hedge becomes ineffective or there is a change in hedging strategies, hedge accounting is discontinued. In particular, hedge accounting is discontinued prospectively when the hedge becomes ineffective or when a change in hedging strategies occurs.

If, in a fair value hedge, the hedged item is a financial instrument measured according to the effective interest rate method, adjustments made to the carrying amount of the hedged item are amortized from the date on which fair value hedge accounting is discontinued and therefore the hedged item ceases to be adjusted for changes in fair value attributable to the hedged risk.

Exchange risk hedging operations due to forecasted transactions and firm commitments are represented in the financial statements according to the cash-flow hedge accounting model.

Derivatives are recognized as assets if their fair value is positive and as liabilities if it is negative. These balances are stated in current assets or liabilities if they relate to derivatives that do not meet the hedging requirements, while in other cases they are classified according to the subject of the hedge.

In particular, if the hedged item is classified in current assets or liabilities, the positive or negative fair value of the hedging instrument is stated in current assets or liabilities; if the hedged item is classified in non-current assets or liabilities, the positive or negative fair value of the hedging instrument is stated in non-current assets or liabilities.

Inventories

Inventories are valued at the lower of the acquisition or cost production and the net realizable value inferred from market trends. The cost configuration used is that of the weighted average cost.

Cash and cash equivalents

Cash and cash equivalents include liquid financial resources and financial investments with a residual maturity of less than three months at the date of acquisition and subject to a negligible risk of change in their value. The above-mentioned financial resources are recognized at their nominal value.

Provisions for risks and charges

Provisions for risks and charges relate to costs and charges of a specific nature and of certain or probable existence for which, at the reporting date, the amount or the date of occurrence cannot be determined with certainty.

Provisions are recognized when the following conditions are met:

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(i) there exists a current obligation, legal or implicit, arising from a past event;

(ii) it is likely that the fulfillment of the obligation will require the use of resources capable of producing economic benefits;

(iii) the amount of the obligation can be reliably estimated.

The amount of the provision made in the financial statements represents a best estimate of the amount that the entity would expect to pay to discharge the obligation or to transfer it to third parties at the closing date of the period.

When the financial effect of time is significant and the discharge dates of the obligations can be reliably estimated, the provision is updated; when the provision is updated, the increase in the provision connected with the passage of time is charged to the income statement as a financial expense.

In particular:

- the supplementary customer allowance fund includes the estimate of allowances for agents, calculated using actuarial techniques and with regard to the probability of payment of the allowances and the expectations regarding the time of disbursement;

- the warranty and repair fund includes the estimate of costs for warranty interventions on sold products, determined on the basis of historical/statistical data and the period of warranty coverage;

- the contractual disputes fund includes the estimate of charges arising from disputes with employees or agents or from the provision of services.

Employee benefits

Post-employment benefits are defined on the basis of programs, although not formalized, which, depending on their characteristics, are divided into defined-contribution programs and defined-benefit programs.

In defined-contribution programs, the company's obligation is limited to payment of the contributions agreed with employees and is determined on the basis of the contributions due at the end of the period, after deducting any amounts already paid.

In defined-benefit programs, the amount recognized as a liability is equal to:

(i) the present value of the defined-benefit obligation at the reporting date;

(ii) plus any actuarial gains (minus any actuarial losses);

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(iii) minus any social security costs related to past working services not yet recognized;

(iv) minus the fair value at the reporting date of the assets used for the plan (if any) outside of which the obligations must be discharged directly.

In defined-benefit programs, the cost charged to the income statement is equal to the algebraic sum of the following elements:

(i) the social security cost relating to present working services;

(ii) the financial charges resulting from the increase in the liability due to the passage of time;

(iii) the expected return on any assets used for the plan;

(iv) the social security cost relating to past working services;

(v) the effect of any reductions or cancellations of the program.

Actuarial gains and losses are charged to the statement of comprehensive income.

All net financial charges on defined-benefit plans are recognized as financial income (expense) within the income statement.

*Stock grants*

The Company pays incentives in the form of stock grant plans to certain members of top management and to beneficiaries who hold key positions in the Company and its subsidiaries. The stock grant plans, which are “equity settled”, entitle the beneficiaries to receive free Amplifon S.p.A. shares at the end of the vesting period.

The related fair value is recognized in the income statement under personnel costs, over the period between the allocation date and the maturity date, with a contra-entry for an equity. The determination of fair value is made at the allocation date, reflecting the prevailing market conditions at the date in question.

At each reporting date, the Company verifies the assumptions regarding the number of rights expected to mature and recognizes the effect of any change within the estimate in the income statement by adjusting the corresponding equity reserve.

In the case of free allocation of shares at the end of the vesting period, the corresponding increase in equity is recorded.

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Revenue

Revenue from contracts with customers

Revenue from contracts with customers is recognized in accordance with IFRS 15.

Based on the five-step model introduced by IFRS 15, Amplifon recognizes revenue after identifying the contracts with customers and the related services to be delivered (transfer of goods and/or services), determining the consideration to which it expects to be entitled in exchange for the delivery of each of these services, and assessing the manner in which it delivers these services (performance at a point in time versus performance over time).

Revenue is recognized only if the following requirements are met (requirements for identifying the "contract" with the customer): the parties have undertaken to fulfill their respective obligations, and the Group is likely to receive the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

The main performance obligations identified by Amplifon are: the hearing aid and its fitting, which represent a unique and indivisible performance obligation, the after-sales services, the extended warranties where these represent services over and above the supplier's normal warranties, the material rights (i.e. discounts on future purchases and loyalty points), and accessory products (batteries, cleaning kits) supplied to the customer as part of the package.

Goods and services may be sold separately or as part of a bundle.

The price of the transaction, which represents the consideration that the entity expects to receive in return for the supply of goods or services to the customer, is allocated on the basis of the stand-alone selling prices of the related performance obligations.

The stand-alone selling price is determined on the basis of observable prices where available or, for goods and services not sold separately (e.g. after-sales services) and those for which the price is not observable on the market, is estimated using the expected cost plus margin method.

Any trade discount is allocated to the different performance obligations included in the bundle sold to the customer, with the exception of after-sales services, pro rata to the weight of the related stand-alone selling price.

Revenues are recognized when the performance obligations are fulfilled through the transfer of the promised goods or services to the customer. This may happen at a point in time or over time.

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Revenues obtained "over time", typically represented by after-sales services, extended warranties and accompanying goods supplied over time, are suspended and recognized on the basis of an assessment of the entity's progress toward the complete fulfillment of the obligation over time. In particular, transfer over time is assessed on the basis of the input method, i.e. by considering the efforts or inputs used by the Group to fulfill the individual performance obligation.

Revenues obtained over time include the initial up-front fee accrued in the context of the franchising affiliation relationship, which is recognized over the term of the entire affiliation agreement.

Revenues obtained at a point in time relate to transfers of goods and services where the customer simultaneously receives and consumes the benefits when the service is received.

These are generally represented by the transfer of the hearing aid and its fitting, the transfer of accessories, and the transfer of certain services sold separately. In these situations, the related revenue is recognized when control of the good or service is transferred to the customer.

The obligation to transfer control of goods and services over time is recognized under "Contractual liabilities".

Amplifon bears costs for the acquisition and fulfillment of the contract that cover a period of several years. These costs, typically represented by the commissions and bonuses paid for each additional sale made, which will be recovered by means of the revenues deriving from the contract, have been capitalized as contract costs and amortized on the basis of an assessment of the entity's progress in the transfer of the services and goods transferred to the customer over time.

The contract costs are represented under assets in the financial statements, in a specific separate item (Assets for long-term and short-term deferred contract costs).

Government grants

Government grants received are presented as a reduction of the reference cost item or shown among other revenue/income where they are not directly attributable to a specific cost item, taking into account the nature of the grant. Such grants have become more relevant as a result of the COVID-19 emergency, given that the Group has benefited from grants and subsidies from the various governmental authorities (as well as from concessions relating to leases), such as labor cost grants and business support grants.

Dividends

Dividends are recognized in profit (loss) for the period only when:

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- the entity's right to receive payment of the dividend arises;
- it is probable that the economic benefits arising from the dividend will flow to the entity;
- the amount of the dividend can be reliably measured.

Current and deferred taxes

Current tax payables and receivables are recognized at the value expected to be paid or recovered by the tax authorities by applying the tax rates and regulations in force or substantially approved at the reporting date.

Deferred income tax assets and liabilities are calculated based on the temporary differences between the values assigned to assets or liabilities in the financial statements and the corresponding values recognized for tax purposes.

Deferred tax liabilities are not recognized:

(i) when they arise from the initial recognition of an asset/liability other than in a business combination which, at the time of the transaction, does not affect either the accounting or the taxable profit;

(ii) when they arise from temporary differences associated with investments in subsidiaries and joint ventures, to the extent that the entity is able to control the timing of the reversal of the differences and it is probable that the reversal will not occur in the foreseeable future.

Deferred tax assets, including those arising from unused tax losses and unused tax credits, are recognized when recovery is considered likely.

Deferred tax assets and liabilities are not discounted and are calculated on the basis of the rates expected to be applicable when the taxes are used or canceled.

Current and deferred taxes are debited or credited directly to equity if they relate to items charged directly to equity. Deferred tax assets and liabilities are recognized respectively in non-current assets and non-current liabilities, and are offset only when there is a legal right to offset current taxes and when this right will result in a lower effective tax outlay. Furthermore, again where there is a legal right to offset, deferred tax assets and liabilities that will not result in any current tax liability or asset at the time of their repayment are offset.

When an asset is revalued for tax purposes and the revaluation is not related to an accounting revaluation in a previous period, or to one that is expected to occur in a subsequent period, the

deferred tax assets on the temporary difference arising from the revaluation are recognized in the income statement.

Current and deferred tax assets or liabilities must be recognized and assessed by applying the requirements of IAS 12 on the basis of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, and tax rates determined by applying IFRIC Interpretation 23.

In the event of any uncertainty regarding the application of the tax legislation, in accordance with the IFRS 23 interpretation:

- in cases where it considers that the taxation authority is likely to accept the uncertain tax treatment, Amplifon determines the income taxes (current and/or deferred) to be recognized in the financial statements on the basis of the tax treatment that it has used or plans to use in its income tax filing;
- in cases where it considers that the taxation authority is unlikely to accept the uncertain tax treatment, Amplifon reflects this uncertainty in the determination of the income taxes (current and/or deferred) to be recognized in the financial statements;

The uncertain tax assets/liabilities are represented in the items that contain income tax assets and liabilities and not in other items of the financial statements.

Value added tax

Revenues, costs and assets are recognized net of value added tax, except where this tax 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 part of the cost item recognized in the income statement. The net amount of indirect sales taxes expected to be recovered from or paid to the taxation authority is included in the financial statement in other receivables or other payables, depending on whether the amount is positive or negative.

Share capital, treasury shares, distribution of dividends and other equity items

Ordinary shares issued by the Amplifon parent company are classified in equity. Any charges incurred for the issue of new shares, including in implementation of stock option plans, are classified as a direct reduction in equity.

Purchases and sales of treasury shares, as well as any gains or losses arising from their purchase or sale, are recognized in the financial statements as changes in equity. Distributions of dividends to shareholders are recognized as a decrease in equity and as a payable in the period during which the dividend payment is approved by the Shareholders' Meeting.

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### 4.1.2 Criteria used for the direct or indirect identification of assets and liabilities and financial components

Amplifon directly distributes and sells hearing care solutions, and adapts and personalizes them to suit users' needs. In Italy it operates through a network of shops managed directly and indirectly, which are involved in the Contribution. Specifically, sales are made through a network of 694 Amplifon brand shops, of which 81 are managed directly by the company and 613 are managed by persons similar to agents who work exclusively with Amplifon. The Italy Division, which is involved in the Contribution, includes management and coordination activities to support the business in Italy and, in particular, management activities for the areas of purchasing, logistics, warehouses and operations, marketing, medical activity, investments and construction of Italy point of sales, maintenance of Italy point of sales, sales and sales support, information systems management, human resources, administration, finance and control, and legal affairs.

Within the Amplifon organization, there are also central functions that take care of Administration, Finance and Control, Strategic, Legal and Corporate Planning, Communication, Marketing, Human Resources and Organization at Group level; these activities are not involved in the Contribution.

With reference to the Contribution of the Italy Division by Amplifon to the Transferee, the Statements as at December 31, 2020 have been prepared, which segregate and enumerate the above-mentioned assets and liabilities and related financial components, pertaining to the total for the Italy Division (Section4.1 above) with respect to other assets and liabilities, and their financial components, which are not involved in the Contribution (next Section).

The methodology used for preparing the Statements pertaining to the assets, liabilities and financial components of the Italy Division is based on an approach that provides for the assignment to the Transferee of all assets and liabilities relating to the Italy Division (Section 2.1.1 above). This assignment was carried out by analyzing the origin of the transactions entered in the accounts of the Issuer's trial balance, also taking into account the evidence of the management accounting system that analyzes, for each cost center, the accounting transactions with reference to costs and revenues, income and charges for which the contra-entry in the statement of financial position is symmetrically allocated to the corresponding cost center.

In particular, with reference to the Statements, the criteria used for the allocation of accounting balances for each financial statement item are described in detail below.

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## ASSETS

## NON-CURRENT ASSETS

### *Goodwill*

Goodwill derives mainly from the acquisition by purchase of subsidiaries spread across Italy before 2005 and from the goodwill resulting from the acquisition and subsequent merger of the company Audika Italia S.r.l. in 2015. It is periodically subjected to impairment testing in order to assess the appropriateness of the value entered in the financial statements with respect to the recoverable amount. The impairment testing was carried out using the discounted Cash Flow (DCF) method, net of taxes.

### *Intangible fixed assets with a finite useful life*

Intangible fixed assets include:

- the customer list derived from the acquisition and subsequent merger of the company Audika Italia S.r.l. in 2015;
- payments made in respect of non-compete agreements to former agents operating in Italy who in recent years terminated their relationship with Amplifon;
- key money, i.e. amounts paid to shop operators to release premises before the expiry of the lease in order for them to be taken over as Amplifon;
- software dedicated to the conduct of operational and management activities, used by the network of shops in Italy.

### *Property, plant and equipment*

This item consists mainly of furniture and furnishings, audiology apparatus and IT equipment in the shops of the Italian sales network and in inventory, as well as improvements to third-party assets relating to the leased premises of the Italian sales network, consisting of approximately 80 shops as at December 31, 2020. The item also includes some specially fitted-out motor vehicles (camper vans) to be used by the Italian market for its promotional activities.

### *Right-of-use assets*

These consist of the values of the rights of use related to long-term rental contracts for the shops of the Italy network and the Italy central warehouse in Assago (MI), determined in accordance with IFRS 16 – Leases.

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***Deferred tax assets***

These consist of deferred tax assets relating to financial statement items involved in the Contribution. In particular, they include deferred tax assets allocated to contractual liabilities relating to the revenues and costs of financial years 2014-2017 already taken into account for calculating the taxable amount for the respective years and charged to the income statement in financial years 2018-2021 pursuant to IFRS 15, and deferred taxes on employee benefit provisions recognized in accordance with IAS 19R.

***Assets for long-term deferred contract costs***

These relate to the long-term portion of the costs incurred in obtaining or fulfilling the contract, capitalized in accordance with IFRS 15, and include commissions and bonuses paid to employees and agents for each contract won.

***Other non-current assets***

These consist mainly of accrued income relating to the costs of commissions and other remuneration to agents for services that will be rendered in subsequent years.

**CURRENT ASSETS**

***Inventories***

These include finished products and accessories intended for sale to end customers in stock at the Italy central warehouse in Assago (MI), in the sales network and in transit, in the case of purchases for which ownership was transferred at the time of shipment. They are stated net of the associated inventory depreciation provision.

***Receivables from customers***

These include receivables from private customers, public bodies and resellers deriving from the sale in Italy of finished products, accessories and services. They are stated net of the provision for bad debts. This item also includes receivables in respect of invoices to be issued to the same counterparties.

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### *Assets for short-term deferred contract costs*

These relate to the short-term portion of the costs incurred in obtaining or fulfilling the contract, capitalized in accordance with IFRS 15, and include commissions and bonuses paid to employees and agents for each contract won.

### *Other receivables*

These consist mainly of accrued income relating to costs of commissions and other remuneration to agents for services that will be rendered in subsequent years, similarly determined pursuant to IFRS 15.

### *Cash and cash equivalents*

This item consists mainly of amounts available at banks and related to the Italy Division.

## LIABILITIES

## NON-CURRENT LIABILITIES

### *Lease liabilities*

These represent the long-term portion of the present value of future lease payments for the shops of the Italy network and for the Italy central warehouse in Assago (MI), determined in accordance with IFRS 16 – *Leases*, in relation to which the right of use has also been recognized under "Right-of-use assets".

### *Provisions for risks and charges*

These includes the following provisions. The "warranty and repair fund" represents an estimate of costs linked to the risk of repairs under warranty on sold products. The "contractual dispute fund", intended to absorb costs linked to the risk of disputes with employees and agents of the Italy Division, as well as risks arising from the provision of services and other contractual commitments in general, has been determined according to a prudent estimate of the likely expense. The "supplementary customer allowance fund" consists of actuarial assessments of the liabilities relating to the Supplementary Customer Allowance provided for by Articles 12 II and III of the Collective Bargaining Agreement of February 16, 2009 governing Agency and Commercial Representation Relationships in the Commercial Sector, with reference to the agents and representatives of the Italy Division.

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***Defined-benefit plans***

Includes the *Trattamento di Fine Rapporto* (TFR) severance indemnity, measured in accordance with IAS 19, in relation to the Fund accrued until December 31, 2006 and not yet paid, pursuant to Law no. 296/06, which required Amplifon to pay the TFR accrued from January 1, 2007 into a special Treasury Fund set up at the INPS or into the Supplementary Pension Funds chosen by the employee. As at December 31, 2020, this concerns 419 employees of the Italy Division.

***Liabilities for long-term deferred contract costs***

Contractual liabilities relate to the long-term portion of deferred revenue for services transferred over time (typically after-sales services) to customers from whom the payment has already been received. These liabilities are recognized in the income statement on the basis of an assessment of the progress in fulfilling over time the various performance obligations contained in the contract. They are represented as a result of the adoption of IFRS 15 – Revenue.

***Deferred tax liabilities***

These consist of deferred tax liabilities relating to financial statement items involved in the Contribution. In particular, the include deferred tax liabilities allocated to acquisition costs for contracts with customers in financial years 2014-2017 already charged to the income statement in financial years 2018-2021 pursuant to IFRS 15, and deferred tax liabilities on customer lists acquired through the acquisition of Audika Italia in 2015.

**CURRENT LIABILITIES**

***Other payables to third parties***

These include payables to employees for salaries and agents for commissions, both in relation to the Italy Division, including any variable remuneration and bonuses paid on a deferred basis with respect to December 31, 2020. They also include, for employees, unused annual leave and deferred additional months' pay. The values also include any payables for social security contributions and other charges related to these items.

***Liabilities for short-term deferred contract costs***

Contractual liabilities relate to the short-term portion of deferred revenue for services transferred over time (typically after-sales services) to customers from whom the payment has already been received. These liabilities are recognized in the income statement on the basis of an assessment of the progress in fulfilling over time the various performance obligations contained in the contract. They are represented as a result of the adoption of IFRS 15 – Revenue.

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***Lease liabilities***

These represent the short-term portion of the present value of future lease payments for the shops of the Italy network and for the Italy central warehouse in Assago (MI), determined in accordance with IFRS 16 – *Leases*, in relation to which the right of use has also been recognized under "Right-of-use assets".

**INCOME STATEMENT**

***Revenue and costs***

For determining the allocation of revenue and costs to the Issuer or to the Italy Division, reference was made to the principle of symmetry with respect to the assets and liabilities to which they relate.

Specifically, all of the following revenues and costs were deemed to be assignable to the Italy Division:

- revenue from sales of complementary products and accessories and the related cost of sales;
- revenue from sales of services;
- costs relating to shop personnel, itinerant personnel and headquarters personnel, and related travel and relocation expenses;
- shop maintenance costs and other shop operating costs (utilities, service costs, local taxes);
- advertising and marketing costs;
- rental costs for shops and the central warehouse in Assago (MI);
- costs for use of the fitted-out spaces at the Amplifon headquarters at Via Ripamonti 131/133, Milan;
- costs related to the management and use of IT and management systems;
- costs for medical and research activities.

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## 5. PRO-FORMA FINANCIAL STATEMENT DATA OF THE ISSUER

The Operation is carried out between entities "under common control " according to IFRS 3 and therefore has no effect on the issuer's financial balance sheet, and consequently no pro-forma financial statement data of the Issuer have been prepared, since as indicated in Section 4.1 above, the Contribution was made in accordance with the principle of continuity of values, and therefore the value of the equity interest in the Transferee, as entered in the Issuer's separate financial statements on completion of the Operation, and the adjustments made at the Effective Date mean that the Issuer's equity at the Effective Date is the same as that at December 31, 2020.

Below we present the Issuer's carve-out financial statements for the year ended December 31, 2020, which show the Issuer's financial and capital position on completion of the Contribution, and therefore net of all assets and liabilities as at December 31, 2020, and the financial data for the year ended December 31, 2020 relating to the Italy Division (hereinafter the "**Carve-Out Financial Statements**"), as presented in Section 4.1.

The Carve-Out Financial Statements, approved by the Board of Directors of Amplifon S.p.A. on March 3, 2021, were subjected to a limited audit by KPMG S.p.A., which issued its report on April 20, 2021, as attached to this Information Document.

The financial and capital information presented in the Carve-Out Financial Statements should be read in conjunction with the financial statements of Amplifon S.p.A. as at December 31, 2020, which are published in the Investors section of the Issuer's website (www.corporate.amplifon.com).

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## *CARVE-OUT FINANCIAL STATEMENTS AS AT DECEMBER 31, 2020*

### Statement of financial position

| (€ thousands) | Notes | December 31, 2020 |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Goodwill | | 3 |
| Intangible fixed assets with a finite useful life | 1 | 46,522 |
| Property, plant and equipment | 2 | 9,598 |
| Right-of-use assets | 3 | 22,554 |
| Long-term investments | 4 | 1,245,354 |
| Equity interest in the Transferee | 5 | 25,000 |
| Long-term hedging instruments | 6 | 4,327 |
| Other non-current financial assets in subsidiaries | 7 | 74,600 |
| Deferred tax assets | 8 | 23,280 |
| Assets for long-term deferred contract costs | | - |
| Other non-current assets | 9 | 481 |
| **Total non-current assets** | | **1,451,719** |
| **Current assets** | | |
| Inventories | | 28 |
| Receivables from customers | 10 | 15,406 |
| Receivables from subsidiaries and parent companies | 11 | 120,333 |
| Assets for short-term deferred contract costs | | - |
| Hedging instruments | | - |
| Other receivables | 12 | 10,572 |
| Short-term financial receivables | | - |
| Short-term financial receivables from subsidiaries | 13 | 67,901 |
| Cash and cash equivalents | 14 | 417,644 |
| **Total current assets** | | **631,884** |
| **TOTAL ASSETS** | | **2,083,603** |

| (€ thousands) | Notes | December 31, 2020 |
|---|---|---|
| **LIABILITIES** | | |
| **Non-current liabilities** | | |
| Long-term loans from third parties | 15 | 949,512 |
| Long-term loans from subsidiaries | 16 | 89,642 |
| Other payables | 17 | 1,449 |
| Lease liabilities | 18 | 21,090 |
| Provisions for risks and charges | | 59 |
| Liabilities for employee benefits | 19 | 779 |
| Long-term hedging instruments | 20 | 5,963 |
| Long-term payables for acquisitions | 21 | 21,548 |
| Liabilities for long-term deferred contract costs | | - |
| Deferred tax liabilities | | - |

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| | | |
|---|---|---|
| **Total non-current liabilities** | | **1,090,041** |
| **Current liabilities** | | |
| Payables to suppliers | 22 | 60,689 |
| Payables to subsidiaries | 23 | 14,722 |
| Other payables to third parties | 24 | 16,343 |
| Liabilities for short-term deferred contract costs | | - |
| Payables for acquisitions | | - |
| Financial payables | 25 | 68,226 |
| Financial payables to subsidiaries | 26 | 174,379 |
| Lease liabilities | 27 | 2,423 |
| Short-term hedging instruments | 28 | 112 |
| Tax payables | 29 | 17,616 |
| **Total current liabilities** | | **354,510** |
| **TOTAL LIABILITIES** | | **1,444,551** |
| **Shareholders' equity** | | **639,052** |
| **Net assets contributed** | | |
| **Liabilities, Equity and Assets contributed** | | **2,083,603** |

## Income statement

(€ thousands)

| | **Notes** | **Year ended December 31, 2020** |
|---|---|---|
| Revenue from sales and services | 30 | 5,246 |
| Operating costs | 31 | -106,556 |
| Other income and costs | 32 | 75,404 |
| **EBITDA** | | **-25,906** |
| Amortization, depreciation and impairment | 33 | -13,905 |
| **Operating profit** | | **-39,810** |
| Income, financial expenses and value adjustments on financial assets | 34 | 40,915 |
| **Pre-tax profit** | | **1,104** |
| Current and deferred income taxes for the year | 35 | -4,016 |
| *Deferred taxes* | | 4,325 |
| *Current taxes* | | - 8,341 |
| **Profit /(Loss) for the year** | | **-2,912** |

# NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS AS AT DECEMBER 31, 2020

## Basis of preparation and presentation of the Carve-Out Financial Statements

The Carve-Out Financial Statements as at December 31, 2020 of Amplifon S.p.A. (hereinafter "Amplifon" or the "Issuer" or the "Company") have been prepared exclusively for the purposes

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of inclusion in this Information Document prepared by Amplifon S.p.A.. The Carve-Out Financial Statements have been prepared to illustrate the Issuer's capital and financial position as at December 31, 2020 and the operating result for the financial year ended December 31, 2020 as a result of the exclusion from the Issuer's scope of all assets, liabilities and economic data for the financial year ended December 31, 2020 relating to the Italy Division, as defined below.

In 2021, Amplifon began a corporate restructuring process consistent with the evolution of the organizational structure and its multinational nature. The project is implemented through the contribution in kind of the Italy Division to Amplifon Italia.

The corporate object of the Italy Division, contributed to Amplifon Italia S.r.l. (hereinafter "Amplifon Italia" or the "Transferee") with effect from May 1, 2021 (hereinafter the "Effective Date"), is the management and coordination of the Italian business, including activities relating to purchasing, logistics, marketing, medical activity, opening and maintenance of points of sale, sales and commercial support, IT and human resources, as well as administration, finance, control and legal affairs functions.

The operation is accomplished through the contribution by the Issuer, with effect from the Effective Date, of the Italy Division by way of payment of the Amplifon Italia capital increase, in accordance with the procedures, terms and conditions set out below.

With reference to the implementation procedures for the Contribution of the Italy Division, on April 12, 2021 the Shareholders' Meeting of Amplifon Italia resolved, *inter alia*:

(i) a capital increase pursuant to Article 2481-bis of the Civil Code ("C.C.") for a nominal amount of €90,000, with a premium of €24,910,000, giving a total price of €25,000,000, reserved for the sole shareholder Amplifon, to be subscribed and paid in full by the Effective Date, through the Contribution of the Italy Division, with effect from the Effective Date (hereinafter the "Amplifon Italia Capital Increase"); and

(ii) the transformation of Amplifon Italia into a *società per azioni* [joint-stock company] pursuant to Articles 2498 et seq. C.C., with the simultaneous issuance of ordinary shares with no specified par value and normal dividend rights as at the date of issue, and the adoption of new Articles of Association, again with effect from the Effective Date.

On April 12, the deed of contribution relating to the contribution of the Italy Division to Amplifon Italia was signed.

In addition, pursuant to Article 2465(1) C.C., the Company appointed an expert to prepare the appraisal report (hereinafter the "Appraisal Report").

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The Appraisal Report – for which an affidavit was sworn on April 12, 2021 before the Notary Calafiori – contains, *inter alia*, a brief description of the composition of the Italy Division, as well as the most important items of assets and liabilities on the balance sheet as at December 31, 2020 for the Italy Division.

These Carve-Out Financial Statements contain the financial information of Amplifon only for the year ended December 31, 2020, without any comparative data. To this end, it should be noted that until the date of the Operation, the Italy Division has never operated independently within a separate company.

- the Italy Division has been identified and structured as a function with its own management autonomy within the Amplifon Group only since March 2021;
- it does not constitute, within Amplifon, an operating segment within the meaning of IFRS 8 – Operating Segments.

In view of the above, any construction of comparative data as at December 31, 2019 i) would be based only on specific components of historical revenue and costs attributable to Amplifon, including the Italy Division, the determination of which would involve the use of complex estimates and assumptions characterized by significant subjectivity, and ii) would require the simulation of contractual relations between Amplifon and Amplifon Italia that were not defined and formalized and therefore could not be identified.

On the basis of the above considerations, the provision of comparative data for the Issuer's Carve-Out Financial Statements would therefore not be able to provide representative information for users of the Carve-Out Financial Statements with regard to the historical capital and financial situation of Amplifon, and in the Company's opinion, given the business model and the structure of costs and revenues on completion of the Operation, would not provide any useful information to users of the Carve-Out Financial Statements.

Furthermore, the preparation of comparative data for the Carve-Out is not required under the circumstances for the purposes of the financial information that Amplifon must prepare in connection with the presentation of this Information Document.

It should also be noted that these Carve-Out Financial Statements consist of the statement of financial position, the income statement and the notes to the Carve-Out Financial Statements. The statement of comprehensive income, the statement of cash flows and the statement of changes in equity have not been presented, since the Company believes that they would not provide any useful information to users of the Carve-Out Financial Statements.

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The main criteria used for preparing and drawing up the Carve-Out Financial Statements as at December 31, 2020 are set out below.

**Preparation basis**

The Carve-Out Financial Statements have been drawn up in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Union. The term IFRS refers to the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS), supplemented by the interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC), which have been approved by the European Union in accordance with the procedure laid down in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of July 19, 2002 (hereinafter "IFRS"), as applied by the Issuer in the preparation of the financial statements as at December 31, 2020 and based on specific carve-out criteria as detailed below.

In addition, the Carve-out Financial Statements have been drawn up on the assumption of business continuity and using the conventional historical cost method, except for the valuation of financial assets and liabilities in cases where use of the fair value method is mandatory.

The Carve-Out Financial Statements have been drawn up in thousands of euros, this being the currency of the main economic environment in which the Company operates. All amounts included in this document are presented in thousands of euros, unless otherwise stated.

The economic results and capital position of the Italy Division are incorporated into Amplifon until the Effective Date of the Operation. These Carve-Out Financial Statements have therefore been prepared on the basis of the results of Amplifon's general and management accounting for the year ended December 31, 2020.

The Carve-Out Financial Statements include the statement of financial position and the income statement as at December 31, 2020.

The models used are the same as those used by Amplifon in the preparation of the financial statements for the year ended December 31, 2020.

- The statement of financial position has been prepared by classifying assets and liabilities according to the "current/non-current" method;
- The income statement has been prepared by classifying costs according to their nature.

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The Carve-Out Financial Statements reflect the historical carve-out information relating to the economic results and the capital and financial position directly attributable to the Issuer, excluding all assets and liabilities and economic data for the year ended December 31, 2020 relating to the Italy business.

**Allocation criteria**

The main criteria used for preparing and drawing up the Amplifon Carve-Out Financial Statements as at December 31, 2020 are detailed below.

Amplifon directly distributes and sells hearing care solutions, and adapts and personalizes them to suit its users' needs. In Italy it operates through a network of shops managed directly and indirectly, which are involved in the Contribution. Specifically, sales are made through a network of 694 Amplifon brand shops, of which 81 are managed directly by the company and 613 are managed by persons similar to agents who work exclusively with Amplifon. The Italy Division, which is involved in the Contribution, includes management and coordination activities to support the business in Italy and, in particular, management activities for the areas of purchasing, logistics, warehouses and operations, marketing, medical activity, investments and construction of Italy points of sale, maintenance of Italy points of sale, sales and sales support, information systems management, human resources, administration, finance and control, and legal affairs.

Within the Amplifon organization, there are also central functions that take care of Administration, Finance and Control, Strategic, Legal and Corporate Planning, Communication, Marketing, Human Resources and Organization at Group level; these activities are not involved in the Contribution.

In the context of the Operation, the statement of financial position and the income statement for the Italy Division as at December 31, 2020 have been prepared. These set out the assets and liabilities and related economic components pertaining to the Italy Division in relation to the other assets and liabilities and related economic components that are not involved in the Contribution (hereinafter the "Statements"). The Italy Division, which is involved in the Contribution, includes management and coordination activities to support the business in Italy and, in particular, management activities for the areas of purchasing, logistics, warehouses and operations, marketing, medical activity, investments and construction of Italy points of sale, maintenance of Italy points of sale, sales and sales support, information systems management, human resources, administration, finance and control, and legal affairs. Amplifon's central functions relating to Group activity in the areas of Administration, Finance and Control, Strategic, Legal and Corporate Planning, Communications, Marketing, Human Resources and Organization are not involved in the Contribution.

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The assignment of the Issuer's assets and liabilities to the Italy Division was carried out by analyzing the origin of the transactions entered in the accounts of the Issuer's trial balance, also taking into account the evidence of the management accounting system that analyzes, for each cost center, the accounting transactions with reference to costs and revenues, income and charges for which the contra-entry in the balance sheet is symmetrically allocated to the corresponding cost center.

With reference to the year ended December 31, 2020, a three-column table is presented below, in which the first column shows the historical data of Amplifon as at December 31, 2020, the second column shows the data for total liabilities and economic data for the year ended December 31, 2020 for the Italy Division, while the third column, obtained by calculating the difference between the first and second columns, contains the Issuer's data net of the values for the Italy Division.

Statement of financial position as at December 31, 2020

| (€ thousands) | Amplifon S.p.A. | Transferee | Issuer |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Goodwill | 540 | 536 | 3 |
| Intangible fixed assets with finite useful life | 53.383 | 6.861 | 46.522 |
| Tangible fixes assets | 28.129 | 18.531 | 9.598 |
| Right-of-use assets | 91.449 | 68.895 | 22.554 |
| Investments | 1.245.354 | 1 | 1.245.354 |
| Investment in Transferee | - | - | 25.000 |
| Hedging instruments | 4.327 | - | 4.327 |
| Other non-current financial assets - Subsidiaries | 74.600 | - | 74.600 |
| Deferred tax assets | 27.060 | 3.779 | 23.280 |
| Contract costs | 2.495 | 2.495 | - |
| Other non-current assets | 12.988 | 12.507 | 481 |
| **Total non-current assets** | **1.540.324** | **113.605** | **1.451.719** |
| **Current assets** | | | |
| Inventories | 8.780 | 8.752 | 28 |
| Trade receivables | 52.325 | 36.919 | 15.406 |
| Subisdiaries and controlling entities receivables | 120.333 | - | 120.333 |
| Contract costs | 2.129 | 2.129 | 0 |
| Hedging instruments | - | - | - |
| Other receivables | 22.043 | 11.471 | 10.572 |
| Other financial assets | - | - | - |
| Current financial assets - Subsidiaries | 67.951 | 50 | 67.901 |
| Cash and cash equivalents | 438.576 | 20.932 | 417.644 |
| **Total current assets** | **712.137** | **80.253** | **631.884** |
| **TOTAL ASSETS** | **2.252.461** | **193.858** | **2.083.603** |

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In detail, here follows a summary of the criteria for the allocation of the attributable assets, liabilities, costs and revenues involved in the Contribution to Amplifon Italia and, by calculating the difference, the assets, liabilities, costs and revenues attributable to Amplifon S.p.A.

The goodwill resulting from the acquisition by purchase of subsidiaries spread across Italy and from the acquisition and subsequent merger of the company Audika Italia S.r.l. in 2015 has been attributed to the Italy Division, as it directly relates to the business activity carried out by Amplifon Italia following the Operation.

The intangible fixed assets with a finite useful life attributed to the Italy Division relate to: i) customer lists; ii) payments made in respect of non-compete agreements to former agents operating in Italy; iii) software dedicated to the conduct of operational and management activities, used to support the business of the shops; iv) key money, i.e. amounts paid to shop operators to release premises before the expiry of the lease in order for them to be taken over as Amplifon; v) other assets directly attributable to the business (advances to suppliers, assets under construction, licenses and development costs).

The plant and equipment attributed to the Italy Division relate to furniture, furnishings and improvements to third-party assets directly related to the leased premises with reference to the sales network, audiology devices and apparatus used for the conduct of the business, and IT equipment in shops and warehouses.

The right-of-use assets attributed to the Italy Division include the values of the rights of use relating to the leases of the sales network shops, the central warehouse and the relevant proportion of the administrative headquarters of Amplifon Italia, and to long-term rental contracts for vehicles assigned to employees, determined in accordance with IFRS 16.

Long-term investments have been attributed mainly to Amplifon, as they relate to equity interests held directly by the Issuer in Italian and foreign companies. Amplifon Italia has been assigned only the stake held in Amplifon Rete, as this relates to a company established by Amplifon, "autogestori" and direct agents, with the aim of pursuing specific strategic business objectives and therefore related to the business activity managed by Amplifon Italia following the Operation.

Long-term hedging instruments have been attributed to Amplifon, as they relate to derivatives subscribed to hedge interest-rate and/or currency risk with respect to loans taken out with third parties by the Issuer. In this regard, it is specified that all Group treasury management activities are carried out by Amplifon.

Other non-current financial assets in subsidiaries relate to loans granted by Amplifon to companies directly or indirectly controlled by Amplifon and not involved in the Contribution.

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The deferred tax assets attributed to the Italy Division refer to the portion directly related to items involved in the Contribution. In particular, the contributed portion includes deferred tax assets allocated to contractual liabilities relating to the revenues and costs of financial years 2014-2017 already accounted for when calculating the taxable amount for the respective years and charged to the income statement in financial years 2018-2021 pursuant to IFRS 15, and deferred taxes on employee benefit funds recognized in accordance with IAS 19.

Assets for long-term and short-term deferred contract costs have been attributed entirely to the Italy Division, as they relate to deferred contract costs with reference to the fulfillment of performance obligations as provided for by IFRS 15. These assets are closely related to the business activity carried out by Amplifon Italia following the Operation.

Other non-current assets and other receivables have been attributed to Amplifon and Amplifon Italia respectively according to their nature and origin. With reference to the share attributed to the Italy Division, this relates mainly to costs for commissions and other compensation to agents for services that will be rendered in subsequent financial years, and residually to security deposits directly attributable to the business activity carried out by Amplifon Italia following the Operation (shops, telephone services, utilities, etc.).

The inventories attributed to the Italy Division relate to finished products and accessories intended for sale to end customers in the normal conduct of the business by Amplifon Italia following the Operation.

Receivables from customers have been attributed to Amplifon and Amplifon Italia respectively according to their nature and origin. Receivables from private customers, public bodies and resellers deriving from the sale of finished products, accessories and goods in the normal conduct of the business activity have been attributed to the Italy Division. No receivables from suppliers of hearing aids have been attributed to the Italy Division in relation to discounts granted contractually by the suppliers. In this regard, it is specified that Amplifon carries out centralized procurement and purchasing activities for some of the Group's companies, which will include Amplifon Italia following the Operation.

Receivables from subsidiaries and parent companies have been attributed entirely to Amplifon, as they relate to receivables due from companies controlled by the Issuer for sales of goods and services.

Short-term financial receivables from subsidiaries have been attributed to Amplifon, as they relate to loans granted by the Issuer to subsidiaries not involved in the Contribution. The share attributed to the Italy Division relates exclusively to the nominal value of the receivables from Amplifon Rete mentioned above.

Cash and cash equivalents have been attributed to Amplifon, with the exception of cash on hand in shops and at Amplifon Italia's headquarters and cash held in current accounts involved in the Contribution.

| (€ thousands) | Amplifon S.p.A | Transferee | Issuer |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Long term financial liabilites | 949.512 | - | 949.512 |
| Long term financial liabilites - controlled entities | 89.642 | - | 89.642 |
| Other liabilities | 1.449 | - | 1.449 |
| Lease liabilities | 77.347 | 56.258 | 21.090 |
| Provision for risks and charges | 17.434 | 17.375 | 59 |
| Liabilities for employees' benefit | 3.465 | 2.686 | 779 |
| Hedging instruments - long term | 5.963 | - | 5.963 |
| Payables for business acquisitions - long term | 21.548 | - | 21.548 |
| Contract liabilities - long term | 26.684 | 26.684 | 0 |
| Deferred tax liabilities | 769 | 769 | - |
| **Total non-current liabilities** | **1.193.813** | **103.771** | **1.090.041** |
| **Current liabilities** | | | |
| Trade payables | 60.689 | - | 60.689 |
| Subidiary payables | 14.722 | - | 14.722 |
| Other third party liabilities | 45.523 | 29.180 | 16.343 |
| Contract liabilities - short term | 22.833 | 22.833 | 0 |
| Payables for business acquisitions - short term | - | - | - |
| Short term finanancial debt | 68.226 | - | 68.226 |
| Short term finanancial debt - controlled entities | 174.379 | - | 174.379 |
| Lease liabilities | 15.496 | 13.073 | 2.423 |
| Hedging instruments - short term | 112 | - | 112 |
| Tax liabilities | 17.616 | - | 17.616 |
| **Total current liabilities** | **419.597** | **65.087** | **354.510** |
| **TOTAL LIABILITIES** | **1.613.409** | **168.858** | **1.444.551** |
| **Equity** | **639.052** | **-** | **639.052** |
| **Going concern contributed net asssets** | **-** | **25.000** | **-** |
| **Liabilities, equity and going concern contributed net assets** | **2.252.461** | **193.858** | **2.083.603** |

Long-term loans from third parties and financial payables have been attributed entirely to Amplifon, as they relate to loans received from third parties directly by the Issuer. In this regard, it is specified that all Group treasury management activities are carried out by Amplifon.

Long-term loans from subsidiaries have been attributed entirely to Amplifon, as they relate to loans received from companies directly or indirectly controlled by the Issuer.

Other payables, attributable entirely to Amplifon, include payables for incentives to staff within the Issuer's workforce.

The current and non-current lease liabilities attributed to the Italy Division include the present value of future payments relating to the leases of the shops, the central warehouse and the relevant proportion of the administrative headquarters of Amplifon Italia, and to rental contracts for vehicles assigned to employees, determined in accordance with IFRS 16.

The provisions for risks and charges attributed to the Italy Division include: i) the supplementary customer allowance fund relating to the agents and representatives of the Italy Division; ii) the contractual risk fund relating to risks for disputes with employees and agents of the Italy Division, as well as risks arising from the provision of services or other contractual commitments related to the normal business activity; iii) and the guarantee fund relating to warranty repairs on products sold by the Italy Division.

Liabilities for employee benefits have been attributed to Amplifon and Italy respectively based on the number of employees within the workforce at Amplifon and in the Italy Division as at December 31, 2020.

Current and non-current hedging instruments have been attributed entirely to Amplifon S.p.A., as they relate to derivatives subscribed to hedge interest-rate and/or currency risk with respect to loans taken out with third parties by the Issuer. In this regard, it is specified that all Group treasury management activities are carried out by Amplifon.

Long-term payables for acquisitions have been attributed entirely to Amplifon, as they relate to liabilities for the acquisition of companies controlled by the Issuer.

Liabilities for long-term and short-term deferred contract costs have been attributed entirely to the Italy Division, as they relate to deferred income for services transferred over time to customers from whom the payment has already been received but for which the performance obligation provided for by IFRS 15 has not yet been fulfilled. These liabilities are closely related to the business activity carried out by Amplifon Italia.

The deferred tax liabilities attributed to the Italy Division refer to the portion directly related to items involved in the Contribution. In particular, the contributed portion includes deferred tax liabilities allocated to acquisition costs for contracts with customers in financial years 2014-2017 already accounted for when calculating the taxable amount for the respective years and charged to the income statement in financial years 2018-2021 pursuant to IFRS 15, and deferred tax liabilities on customer lists acquired through the acquisition of Audika Italia as mentioned above.

Payables to suppliers have been attributed entirely to Amplifon and include debts to suppliers for the purchase of products and services not yet settled as at December 31, 2020, incurred by Amplifon, which results to be a party to the debt relationship.

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Payables to subsidiaries, attributed entirely to Amplifon, include debts for services rendered by Amplifon to its direct or indirect subsidiaries.

Other payables to third-parties attributed to the Italy Division include debts owed to employees for wages, unused annual leave and deferred additional months' pay and to agents for commissions, including any variable remuneration and bonuses paid on a deferred basis with respect to December 31, 2020. With reference to the share allocated to Amplifon, it is specified that this relates to employees within the Issuer's workforce.

Financial payables to subsidiaries, attributed entirely to Amplifon, concern debts relating to the balance of cash pooling current accounts held with certain subsidiaries and to interest accrued on the intercompany bond loan as at December 31, 2020.

Tax payables related to current direct taxes, tax withholding debts to employees and VAT debts have been attributed entirely to Amplifon S.p.A., the holder of the legal obligations toward the counterparties.

Income statement for the year ended December 31, 2020

| (Euro/000) | Amplifon S.p.A | Transferee | Issuer |
|---|---|---|---|
| Revenues from Sales and other services | 282.306 | 277.059 | 5.246 |
| Operating costs | -284.271 | -177.715 | -106.556 |
| Other income and costs | 69.873 | -5.531 | 75.404 |
| **Gross operating profit** | **67.908** | **93.813** | **-25.906** |
| Depreciation and Amortization | -36.868 | -22.964 | -13.905 |
| **Operating Profit** | **31.039** | **70.850** | **-39.810** |
| Net financial expenses and revaluation and adjustments of financial assets | 39.404 | -1.511 | 40.915 |
| **Profit (loss) before taxes** | **70.443** | **69.339** | **1.104** |
| Tax, current and deferred | -3.312 | 704 | -4.016 |
| **Net profit (loss)** | **67.131** | **70.043** | **-2.912** |

Revenues from sales and services have been attributed to the Italy Division, with the exception of revenues from sales of products to companies controlled directly or indirectly by Amplifon in the context of the Group's centralized purchasing function.

Operating costs have been attributed to the Italy Division, with the exception of costs directly attributable to products sold to Group companies as detailed above, costs related to personnel within the Amplifon workforce, and the cost of facility services for the Issuer, which are charged back to the other Group companies as described below.

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Other income and costs have been attributed to the Italy Division, with the exception of revenues from the provision of centralized services such as strategic activity, human resources management, centralized procurement, Group strategic marketing, administration and control services, assistance in relations with banks, and the implementation of common IT systems.

Amortization, depreciation and impairment have been attributed to Amplifon and the Italy Division based on the allocation of the relevant fixed assets described above.

Income, financial expenses and value adjustments on financial assets have been attributed mainly to Amplifon, as they relate to dividends received from subsidiaries, interest income and expenses related to financial payables and receivables with third parties and Group companies, and write-downs of equity investments. The share attributed to the Italy Division relates to interest expense on lease debts directly attributable to the contracts involved in the Contribution and to the financial charges incurred as a result of the assignment of the receivable.

Current and deferred income taxes for the year attributed to Amplifon include current and deferred taxes for the year, as they are originated from Amplifon S.p.A. and will remain with it, save for deferred income taxes relating to assets (*poste patrimoniali*) transferred to Amplifon Italia in the context of the Operation.

## VALUATION CRITERIA

### Use of estimates

The preparation of the Carve-Out Financial Statements required the use of estimates and assumptions, with particular reference to the following items:

- provisions for impairment, formed on the basis of the presumed realizable value of the asset to which they relate;

- provisions for risks, formed on the basis of a reasonable estimate of the amount of the potential liability, including with reference to any claims by the counterparty;

- provisions for employee benefits, formed on the basis of actuarial assessments carried out;

- depreciation and amortization of tangible and intangible fixed assets and right-of-use assets, formed on the basis of estimates of their remaining useful life and their recoverable amount;

- income taxes are formed on the basis of the best estimate of the expected rate for the whole year;

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- interest and currency derivatives (instruments not quoted on official markets) valued on the basis of their respective mark-to-market at the date of the report, determined internally on the basis of market rate and exchange curves and supplemented by a credit/debit value adjustment. These credit/debit value adjustments are supported by market quotations;

- the term of the lease determined on the basis of the individual contract and consisting of the "non-cancellable" period combined with the effects of any extensions or early terminations whose exercise was considered reasonably certain and taking into account the terms of the contract;

- discount rate for leases falling under IFRS 16 (incremental borrowing rate) determined with reference to the IRS (interbank reference rate used as a parameter for indexing fixed-rate mortgage loans), with maturities commensurate with the term of the specific lease contract, increased by the Company's specific credit spread.

**IFRS/interpretations approved by the IASB and approved for adoption in Europe**

The following table shows the IFRS/interpretations approved by the IASB and approved for adoption in Europe and applied for the first time in the current financial year.

| Description | Approval date | Publication in O.J.E.U. | Initially envisaged effective date | Effective date for Amplifon |
|---|---|---|---|---|
| Amendments to IFRS 16 *"Leases – COVID 19-related Rent Concessions"* (issued May 28, 2020) | October 9, 2020 | October 12, 2020 | June 1, 2020 | January 1, 2020 |
| Amendments to IFRS 3 *"Business combinations"* (issued October 22, 2018) | April 21, 2020 | April 22, 2020 | January 1, 2020 | January 1, 2020 |
| Amendments to IFRS 9, IAS 39 and IFRS 7: *"Interest Rate Benchmark Reform"* (issued September 26, 2019) | January 15, 2020 | January 16, 2020 | January 1, 2020 | January 1, 2020 |
| Amendments to the References to the Conceptual Framework in IFRS Standards (issued March 29, 2018) | November 29, 2019 | December 6, 2019 | January 1, 2020 | January 1, 2020 |
| Amendments to IAS 1 and IAS 8: *"Definition of Materiality"* (issued October 31, 2018) | November 29, 2019 | December 10, 2019 | January 1, 2020 | January 1, 2020 |

The amendments to IFRS 16 "Leases – COVID 19-Related Rent Concessions" introduced a practical expedient into the chapter "Lease modifications" that allows the lessee not to treat any concessions granted on rent payments received from January 1, 2020 and deriving from the effects of COVID-19 as a modification to the original contract. These concessions can therefore be accounted for as positive variable rents without going through a contractual amendment.

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In order to be able to apply this exemption, the following conditions are required:

- the rent concession is a direct consequence of the COVID-19 pandemic and the reduction of payments affects only those originally due on or before June, 2021;
- the change in payments results in the consideration for the lease being the same or less than the amount payable under the original conditions;
- there are no other substantive changes to the other terms and conditions of the lease.

The IFRSs and Interpretations approved by the IASB and approved for adoption in Europe for the current year, in addition to IFRS 16 "Leases", concern:

- Amendments to IFRS 3: "Business combinations": the amendments to IFRS 3 issued on October 22, 2018 clarify the classification of a transaction as the acquisition of a business or a group of assets.
- Amendment entitled "Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform": this amendment modifies some of the requirements for the application of hedge accounting, providing for temporary derogations from hedge accounting in order to mitigate the impact resulting from the uncertainty regarding the reform of the IBOR on future cash flows in the period preceding its completion. The amendment also requires companies to provide additional information on the balance sheet about their hedging relationships that are directly affected by the uncertainties generated by the reform and to which the above-mentioned derogations apply, where applicable.
- Amendment to the "References to the Conceptual Framework in IFRS Standards": this amendment was published by the IASB on March 29, 2018. The Conceptual Framework defines the key concepts for financial reporting. The document helps to ensure that the Standards are conceptually consistent and that similar transactions are treated in the same way, as to provide useful information to investors, lenders, and other creditors. The Conceptual Framework supports companies in the application of accounting policies when no IFRS standard applies to a particular transaction and, more generally, helps interested parties understand and interpret the Standards.
- The "Amendments to IAS 1 and IFRS 8: Definition of Materiality" aims to clarify the definition of "materiality" in order to help companies assess whether a piece of information is relevant and should therefore be included within the financial statements. In particular, it is specified that a piece of information is relevant if it is reasonable to assume that its omission, mis-statement or concealment could affect the decisions that the

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main users of the financial statements drawn up for general purposes take on the basis of those financial statements, which provide financial information about the specific reporting entity.

The application of the practical expedient relating to concessions (discounts or exemptions from payments) on leases due to the COVID-19 emergency (Amendments to IFRS 16 "Leases – COVID 19-Related Rent Concessions" issued on May 22, 2020) has resulted in an income statement benefit of €2,020 thousand, as described in note 2.

The adoption of the above-mentioned principles and interpretations has not had any material impact on the valuation of the company's assets, liabilities, costs and revenues.

**Accounting Standards**

Intangible fixed assets

Intangible fixed assets acquired separately and those acquired through business combinations occurring prior to the first adoption of IFRS are initially recognized at cost, while those acquired through business combinations concluded after the date of transition to IFRS, at the time of first registration, are recognized at their fair value. Expenses incurred after the initial acquisition are recognized as an increase in the cost of the intangible assets to the extent that such expenses are capable of generating future economic benefit.

Intangible fixed assets with a finite useful life are amortized systematically over their useful life and written down for impairment (see note 3). Amortization begins when the asset is available for use and ceases when the asset reaches the end of its useful life or is classified as held for sale (or included in a disposal group classified as held for sale). Both the useful life and the amortization method are reviewed periodically and, where significant changes are observed with respect to the assumptions previously adopted, the share of amortization for the period and subsequent periods is adjusted.

The amortization periods are shown in the following table.

| *Description* | *Years* |
|---|---|
| Software | 3-10 |
| Licenses | 1-15 |
| Trademarks and concessions | 3-15 |
| Other | 5-9 |

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Goodwill

Goodwill is recognized in the financial statements at the time of business combinations and initially recorded at the incurred cost value, equal to the excess of the consideration for the business combination transaction with respect to the Group's share of the net fair value of the assets, liabilities and contingent liabilities.

Goodwill is classified under intangible assets. From the date of acquisition, 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 arising from the combination, regardless of whether other assets or liabilities of the acquired entity are assigned to those units or groups of units.

After the initial recognition, goodwill is not amortized but valued at cost less any accumulated impairment losses.

Tangible fixed assets

Tangible fixed assets are recognized at their purchase or production cost, including directly attributable ancillary expenses.

Capital goods covered by lease contracts through which all risks and benefits arising from the ownership of the asset (financial leases) are transferred to the company are recognized at the time of the signing of the contract at fair value or, if less, the present value of the minimum payments due for the lease. A payable to the lessor for the same amount is recognized in liabilities, under financial payables.

The initial carrying amount of tangible fixed assets, or significant components thereof (with the exception of land), net of the residual value, is depreciated on a straight-line basis over the useful life and written down for impairment losses. Depreciation begins when the asset is available for use and ceases when the asset reaches the end of its useful life or is classified as held for sale (or included in a disposal group classified as held for sale). Both the useful life and the depreciation method, as well as the residual value, are reviewed periodically and, where significant changes are observed with respect to the assumptions previously adopted, the share of depreciation for the period and subsequent periods is adjusted.

Non-incremental maintenance costs are charged to the income statement in the period during which they are incurred. Incremental maintenance costs are attributed to the assets to which they relate and amortized in relation to the residual possibility of use.

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Costs of improvements to third-party assets, in relation to real estate, shops and branches run under operating leases, are capitalized and amortized on the basis of the term of the lease or the useful life of the installed asset, if shorter.

The depreciation periods are shown in the following table:

| *Description* | *Years* |
| --- | --- |
| Buildings, constructions and improvements to third-party assets | 5-25 |
| Plant and machinery | 5-16 |
| Industrial and commercial equipment | 4-10 |
| Automobiles and internal vehicles | 3-9 |
| Computers and office machinery | 3-7 |
| Furniture and furnishings | 3-10 |
| Other tangible fixed assets | 4-8 |

Impairment of intangible fixed assets, tangible fixed assets, right-of-use assets, investments in subsidiaries and goodwill

The carrying amount of an asset is tested whenever trigger events occur that could indicate that the asset may have been impaired. For intangible fixed assets with an indefinite life, intangible fixed assets under construction and goodwill, the Company carries out a valuation at least annually even in the absence of impairment indicators. The recoverable amount is defined as the greater of the fair value net of sales costs and the value in use.

The fair value is determined by reference to a binding purchase/sale agreement between independent and informed counterparties in a free transaction. In the absence of such an agreement, the fair value is estimated on the basis of the market price of the asset and the information available to reflect the amount that the entity can obtain, at the reference date of the financial statements, from the disposal of the asset in a free transaction between independent and informed parties.

The value in use is determined by reference to the present value of the estimated future cash flows that are expected to result from the continued use of an asset and from its disposal at the end of its useful life, discounted by applying a post-tax discount rate that reflects current market valuations of the present value of money and the specific risks associated with the asset. If an individual asset does not produce independent cash flows, it is not possible to determine its value in use. In this

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event, the value will be estimated with reference to the cash-generating unit to which the asset belongs.

With regard to goodwill, the impairment test is determined at the level of the groups of cash-generating units to which the goodwill is attributable and on the basis of which the return on investment – which includes goodwill – is assessed directly or indirectly.

Impairment losses are recognized in the income statement when the carrying amount of the asset is greater than the recoverable amount. With the exception of goodwill, for which impairment losses cannot be reversed, when an impairment ceases to exist or decreases, the carrying amount of the asset is increased to the recoverable amount. The increased carrying amount of an asset due to a reversal of an impairment loss does not, in any event, exceed the carrying amount that would have been determined (net of depreciation or amortization) if no lasting impairment loss had been recognized for the asset in previous years. Reversals of impairment losses for an asset are recognized immediately as income in the income statement.

*Leases*

When signing a contract, an assessment is made as to whether it is, or contains, a lease or whether the contract confers the right to control the use of an identified asset for a period of time in exchange for a consideration.

*Accounting policies applicable to the Company as lessee*

Amplifon adopts a single recognition and measurement model for all leases, except for short-term leases and leases for low-value goods. Amplifon recognizes the liabilities related to lease payments and the right-of-use asset that represents the right to use the asset underlying the contract.

*Right-of-use assets*

Amplifon recognizes right-of-use assets at the lease start date (i.e. the date on which the underlying asset is available for use). Right-of-use assets are measured at cost, net of accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of the lease liabilities recognized, the initial direct costs incurred, and the lease payments made on or before the start date, net of any incentives received.

Right-of-use assets are depreciated on a straight-line basis from the start date until the end of the useful life of the asset consisting of the right of use or, if earlier, at the end of the term of the lease.

Right-of-use assets are subject to impairment. See “*Impairment of non-financial assets*”.

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*Lease liabilities*

On the start date of the lease, Amplifon recognizes the lease liabilities by measuring them at the present value of the lease payments due and not yet paid on said date. Payments due include fixed payments (including substantially fixed payments) net of any lease incentives to be received, variable lease payments that depend on an index or rate, and amounts expected to be paid in respect of guarantees of residual value. Lease payments also include the exercise price of a purchase option if there is reasonable certainty that such option will be exercised, and lease termination penalty payments if the term of the lease takes into account Amplifon's exercise of the lease termination option.

Variable lease payments that do not depend on an index or rate are recognized as costs in the period during which the event or condition that generated the payment occurs.

In calculating the present value of the payments due, Amplifon uses the marginal lending rate at the start date if the implicit interest rate cannot be easily determined. After the start date, the amount of the lease liability is increased to take account of interest on the lease liability and decreased to take account of payments made. In addition, the carrying amount of lease liabilities is restated in the event of any changes to the lease or revision of the contractual terms due to modification of the payments; it is also restated if changes are made to the valuation of the purchase option on the underlying asset or in the event of modifications to future payments resulting from a change in the index or rate used to determine such payments.

*Concessions deriving from the effects of COVID-19*

The Company has benefited from the amendment to IFRS 16 published by the International Accounting Standards Board (IASB) on May 28, 2020 and transposed by the institutional bodies of the EU on October 9, 2020, which introduced a practical expedient whereby lease renegotiations carried out as a result of the COVID-19 pandemic and resulting in a reduction in rent payments due for periods up to June 30, 2021 are not considered to be contractual amendments and their effects are therefore accounted for as variable rents with a positive impact on the income statement.

This exemption applies where the following conditions are met:

– the rent concession is a direct consequence of the COVID-19 pandemic and the reduction of payments affects only those originally due on or before June, 2021;

– the change in payments results in the consideration for the lease being the same or less than the amount payable under the original conditions;

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– there are no other substantive changes to the other terms and conditions of the lease.

*Short-term leases and low-value asset leases*

Amplifon applies the exemption for the recognition of leases relating to low-value assets, such as PCs, printers, electronic devices, and to leases with a term of 12 months or less that do not contain purchase options (short-term leases), excluding the "shops" category. Rents relating to short-term leases and low-value asset leases are recognized as costs on a straight-line basis over the lease term.

*The Company as lessor*

Leases that leave all risks and benefits related to ownership of the asset with the Company are classified as operating leases. Lease income from operating leases must be recognized on a straight-line basis over the lease term, and is included in income in the income statement due to its operational nature. Initial negotiation costs are added to the carrying amount of the leased asset and recognized on the basis of the lease term, on the same basis as lease income. Unbudgeted rents are recognized as revenues in the period during which they accrue.

*Sub-leases*

Amplifon, as intermediate lessor in a sub-lease contract, classifies the sub-lease as financial or as operational as follows:

c) if the main lease is a short-term lease for which the Company has made use of the practical expedient, the sub-lease is classified as an operating lease;

d) conversely, the sub-lease is classified by reference to the asset consisting of the right of use arising from the main lease, rather than by reference to the underlying asset (for example, the leased item of property, plant and equipment).

In particular, if the sub-lease is classified as an operating lease, the original lessee continues to account for the liability arising from the lease and the right-of-use asset arising from the main lease in the same way as for any other lease.

If the net carrying amount of the right-of-use asset arising from the main lease exceeds the expected income from the sub-lease, this may indicate that the right-of-use asset associated with the main lease has suffered a loss of value. A right-of-use asset is valued for impairment in accordance with IAS 36.

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If the sub-lease is classified as a financial lease, the original lessee removes the right of use from the asset in the main lease at the start date of the sub-lease and continues to account for the original lease liability in accordance with the lessee's accounting model.

<u>Financial assets (excluding derivatives)</u>

Financial assets are classified on the basis of the business model adopted for their management and the characteristics of the related cash flows.

a) *Financial assets valued at amortized cost*

Financial assets are classified in this category when the following requirements are met:

c) the asset is held in the context of a business model whose objective is possession of the asset in order to collect contractual cash flows; and

d) the contractual terms of the asset provide for cash flows represented solely by payments of principal and interest on the capital amount to be repaid.

These are mainly receivables from customers, loans and other receivables.

Trade receivables that do not contain a significant financial component are recognized at the price defined for the relevant transaction (determined in accordance with IFRS 15 "Revenue from Contracts with Customers").

Other receivables and loans are initially recognized in the financial statements at their fair value plus any ancillary costs directly attributable to the transactions that generated them.

For subsequent measurements, amortized-cost financial assets, with the exception of receivables that do not contain a significant financial component, are measured using the effective interest rate. The effects of this measurement are recognized among the financial components of income.

With reference to the impairment model, receivables are valued using an expected loss approach.

For trade receivables, a simplified approach to valuation is adopted that does not require the recognition of periodic changes in credit risk, but rather the recognition of an Expected Credit Loss (ECL) calculated over the entire life of the receivable (lifetime ECL).

In particular, the policy applied involves the stratification of receivables, broken down by homogeneous risk categories. These categories are subjected to different impairment rates that reflect the respective expectations of recovery. They are based on historical percentages and any forward-looking elements that could affect the reasonable expectation of recovery. Trade

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receivables are recorded entirely in the absence of a reasonable expectation of recovery (e.g. past due beyond a certain threshold, bankruptcy and/or commencement of legal action).

With regard to non-current financial assets, relating to loans granted by American subsidiaries to franchisees and members of the Elite network to support investment and development activity in the United States, the Group adopts the general approach for their valuation, which requires verification of any increase in credit risk at each balance sheet date.

*b) Financial assets at fair value with contra-entry in the statement of comprehensive income ("FVOCI")*

Financial assets are classified in this category when the following requirements are met:

c) the asset is held in the context of a business model whose objective is achieved both through the collection of contractual cash flows and through the sale of the asset; and

d) the contractual terms of the asset provide for cash flows represented solely by payments of principal and interest on the capital amount to be repaid.

They therefore typically include trade receivables that the Company at times sells through non-recourse factoring operations.

These assets are initially recognized in the financial statements at their fair value plus any ancillary costs directly attributable to the transactions that generated them. For subsequent measurements, the valuation made at the time of initial recognition is updated and any changes in fair value are recognized in the statement of comprehensive income.

With reference to the impairment model, this follows the description provided in point a) above.

*c) Financial assets at fair value with contra-entry in the consolidated income statement ("FVPL")*

Financial assets that are not classified in any of the previous categories are classified in this category (i.e. residual category). These consist mainly of derivatives.

Assets in this category are recognized at fair value at the time of their initial recognition. The ancillary costs incurred at the time of recognition of the asset are immediately charged to the consolidated income statement. For subsequent measurements, FVPL financial assets are measured at fair value. Gains and losses arising from changes in fair value are accounted for in the consolidated income statement in the period during which they are recognized, under "Gains (Losses) from assets valued at Fair Value".

Purchases and disposals of financial assets are accounted for at the settlement date.

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Financial assets are removed from the balance sheet when the related contractual rights expire, or when the Company transfers all risks and benefits of ownership of the financial asset.

Financial liabilities (excluding derivatives)

Financial liabilities include financial payables, lease payables, and trade payables.

Payables to banks and other lenders are initially recognized at fair value net of directly attributable transaction costs and subsequently measured at amortized cost, using the effective interest rate method. If there is a change in expected cash flows, the value of the liabilities is recalculated to reflect said change on the basis of the present value of the new expected cash flows and the initially determined internal rate of return.

Where legal rights to compensation arise, the possibility of stating the cash and cash equivalents net of current account overdrafts is assessed.

Trade payables are obligations to pay for goods or services acquired from suppliers in the ordinary course of business. Payables to suppliers are classified as current liabilities if payment will take place within one year from the reporting date, otherwise, these payables are classified as non-current liabilities.

Trade payables and other payables are recognized initially at fair value and subsequently measured according to the amortized cost method.

When a financial liability is hedged against interest-rate risk in a fair value hedge, changes in fair value due to the hedged risk are not included in the calculation of amortized cost. These changes are amortized from the moment that fair value hedge accounting is discontinued.

With reference to lease liabilities, see "*Leases*".

Financial liabilities are derecognized from the financial statements when the obligation underlying the liability is lapsed, canceled or fulfilled.

Contractual changes relating to financial liabilities are measured from a qualitative and quantitative perspective (via the 10% test) to determine whether they are substantive in nature and therefore require a derecognition of the original liability. In the case of non-substantive changes, the impact of the changes is recognized in the income statement.

In the case of "put and call" options granted to minority shareholders that guarantee their settlement in cash in exchange for cash or another financial asset, based on IAS 32, a financial liability equal to the best estimate of the exercise price of the option is recognized. This liability is

subsequently remeasured at each reporting date. The accounting policy adopted provides any change in the value of the liability to be recognized in equity.

Financial derivatives

As of January 1, 2019, Amplifon adopted the provisions of IFRS 9 with regard to hedge accounting, for which it had previously used the provisions of IAS 39.

Financial derivatives are traded in order to neutralize the financial risks to which Amplifon is exposed and which it decides to hedge in accordance with the developed strategy.

The documentation formalizing the hedging relationship to which hedge accounting is intended to be applied includes identification of:

– the hedging instrument;

– the hedged item or transaction;

– the nature of the risk;

– how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

At initial recognition, these instruments are measured at fair value. At subsequent reporting dates, the fair value of the derivatives must be remeasured, and:

– if these instruments do not meet the requirements for hedge accounting, changes in fair value arising after initial recognition are charged to the income statement;

– if these instruments meet the requirements for a fair value hedge, from that date any changes in the fair value of the derivative are recognized in the income statement; where changes in fair value due to the hedged risk are charged to adjust the carrying amount of the hedged item, with a contra-entry in the income statement; any ineffectiveness of the hedge is recognized in the income statement, in a separate item from that in which changes in the fair value of the hedging instrument and the hedged item are classified ;

– if these instruments meet the requirements for a cash flow hedge, from that date any changes in the fair value of the derivative are charged to equity only for the effective portion of the hedge and to the income statement for the ineffective portion; any changes in the fair value of the derivative charged to equity are reclassified to the income statement in the period during which the hedged transaction affects the income statement; where the subject of the hedge is

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the purchase of a non-financial asset, any changes in the fair value of the derivative charged to equity are reclassified to adjust the purchase cost of the hedged asset (“basis adjustment”);

- if these instruments meet the requirements for a hedge of a net investment of a foreign operation, from that date any changes in the fair value of the derivative adjust the “conversion difference” only for the effective portion of the hedge and are charged to the income statement for the ineffective portion;
- the hedge is performed by the designated instrument, considered in a unified manner. In the case of options or forward contracts, however, only a part of the derivative is designated as a hedging instrument, while the residual component is charged to the income statement. In the case of options, only changes in fair value due to variations in the intrinsic value are designated as a hedging instrument, whereas changes in the fair value of the option due to changes in the time value are charged to the income statement and are not taken into account in assessing the effectiveness of the hedge. In the case of forward contracts, only changes in fair value due to changes in the spot rate are designated as a hedging instrument, whereas changes in fair value due to changes of forward points are charged to the income statement and are not accounted for when assessing the effectiveness of the hedge.

If the hedge becomes ineffective or there is a change in hedging strategies, hedge accounting is discontinued. In particular, hedge accounting is discontinued prospectively when the hedge becomes ineffective or when a change in hedging strategies occurs.

If, in a fair value hedge, the hedged item is a financial instrument measured according to the effective interest rate method, adjustments made to the carrying amount of the hedged item are amortized from the date on which fair value hedge accounting is discontinued and therefore the hedged item ceases to be adjusted for changes in fair value attributable to the hedged risk.

Exchange risk hedging operations due to forecasted transactions and firm commitments are represented in the financial statements according to the cash-flow hedge accounting model.

Derivatives are recognized as assets if their fair value is positive and as liabilities if it is negative. These balances are stated in current assets or liabilities if they relate to derivatives that do not meet the hedging requirements, while in other cases they are classified according to the subject of the hedge.

In particular, if the hedged item is classified in current assets or liabilities, the positive or negative fair value of the hedging instrument is stated in current assets or liabilities; if the hedged item is classified in non-current assets or liabilities, the positive or negative fair value of the hedging instrument is stated in non-current assets or liabilities.

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Inventories

Inventories are valued at the lower of the acquisition or cost production and the net realizable value inferred from market trends. The cost configuration used is that of the weighted average cost.

Inventories of finished products and goods presumed to be surplus to requirements, slow-moving or affected by obsolescence are appropriately written down on the basis of the presumed realization value.

Cash and cash equivalents

Cash and cash equivalents include liquid financial resources and financial investments with a residual maturity of less than three months at the date of acquisition and subject to a negligible risk of change in their value. The above-mentioned financial resources are recognized at their nominal value.

Provisions for risks and charges

Provisions for risks and charges relate to costs and charges of a specific nature and of certain or probable existence for which, at the reporting date, the amount or the date of occurrence cannot be determined with certainty.

Provisions are recognized when the following conditions are met:

(i) there exists a current obligation, legal or implicit, arising from a past event;

(ii) it is likely that the fulfillment of the obligation will require the use of resources capable of producing economic benefits;

(iii) the amount of the obligation can be reliably estimated.

The amount of the provision made in the financial statements represents a best estimate of the amount that the entity would expect to pay to discharge the obligation or to transfer it to third parties at the closing date of the period.

When the financial effect of time is significant and the discharge dates of the obligations can be reliably estimated, the provision is updated; when the provision is updated, the increase in the provision connected with the passage of time is charged to the income statement as a financial expense.

In particular:

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- the supplementary customer allowance fund includes the estimate of allowances for agents, calculated using actuarial techniques and with regard to the probability of payment of the allowances and the expectations regarding the time of disbursement;

- the warranty and repair fund includes the estimate of costs for warranty interventions on sold products, determined on the basis of historical/statistical data and the period of warranty coverage;

- the contractual disputes fund includes the estimate of charges arising from disputes with employees or agents or from the provision of services.

Employee benefits

Post-employment benefits are defined on the basis of programs, although not formalized, which, depending on their characteristics, are divided into defined-contribution programs and defined-benefit programs.

In defined-contribution programs, the company's obligation is limited to payment of the contributions agreed with employees and is determined on the basis of the contributions due at the end of the period, after deducting any amounts already paid.

In defined-benefit programs, the amount recognized as a liability is equal to:

(i) the present value of the defined-benefit obligation at the reporting date;

(ii) plus any actuarial gains (minus any actuarial losses);

(iii) minus any social security costs related to past working services not yet recognized;

(iv) minus the fair value at the reporting date of the assets used for the plan (if any) outside of which the obligations must be discharged directly.

In defined-benefit programs, the cost charged to the income statement is equal to the algebraic sum of the following elements:

(i) the social security cost relating to present working services;

(ii) the financial charges resulting from the increase in the liability due to the passage of time;

(iii) the expected return on any assets used for the plan;

(iv) the social security cost relating to past working services;

(v) the effect of any reductions or cancelations of the program.

Actuarial gains and losses are charged to the statement of comprehensive income.

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All net financial charges on defined-benefit plans are recognized as financial income (expense) within the income statement.

*Stock grants*

The Company pays incentives in the form of stock grant plans to certain members of top management and to beneficiaries who hold key positions in the Company and its subsidiaries. The stock grant plans, which are "equity settled", entitle the beneficiaries to receive free Amplifon S.p.A. shares at the end of the vesting period.

The related fair value is recognized:

- in the income statement under personnel costs, over the period between the allocation date and the maturity date, with a contra-entry for an equity reserve if the beneficiaries provide service to Amplifon S.p.A.;

- as an increase in the value of the holding in a subsidiary, over the period between the allocation date and the maturity date, with a contra-entry for an equity reserve if the beneficiaries provide service to that subsidiary.

The determination of fair value is made at the allocation date, reflecting the prevailing market conditions at the date in question.

At each reporting date, the Company verifies the assumptions regarding the number of rights expected to mature and recognizes the effect of any change within the estimate in the income statement by adjusting the corresponding equity reserve or adjusting the cost of the holding in a subsidiary, with adjustment of the corresponding equity reserve.

In the case of free allocation of shares ("stock grants"), at the time of the grant, changes are made to the appropriate equity reserve with the item treasury shares for the related fair value, and, where appropriate, the new gains are readjusted for the differential with the average carrying amount of the treasury shares.

Share capital, treasury shares, distribution of dividends and other equity items

Ordinary shares issued by Amplifon S.p.A. are classified in equity. Any charges incurred for the issue of new shares are classified as a direct reduction in equity.

Purchases and sales of treasury shares, as well as any gains or losses arising from their purchase or sale, are recognized in the financial statements as changes in equity. Distributions of dividends to

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shareholders are recognized as a decrease in equity and as payable in the period during which the dividend payment is approved by the Shareholders' Meeting.

Revenue

Revenue from contracts with customers

Revenue from contracts with customers is recognized in accordance with IFRS 15.

Based on the five-step model introduced by IFRS 15, Amplifon recognizes revenue after identifying the contracts with customers and the related services to be delivered (transfer of goods and/or services), determining the consideration to which it expects to be entitled in exchange for the delivery of each of these services, and assessing the manner in which it delivers these services (performance at a point in time versus performance over time).

Revenue is recognized only if the following requirements are met (requirements for identifying the "contract" with the customer): the parties have undertaken to fulfill their respective obligations, and the Group is likely to receive the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

Government grants

Government grants received are presented as a reduction of the reference cost item or shown among other revenue/income where they are not directly attributable to a specific cost item, taking into account the nature of the grant. Such grants have become more relevant as a result of the COVID-19 emergency, given that the Group has benefited from grants and subsidies from the various governmental authorities (as well as from concessions relating to leases), such as labor cost grants and business support grants.

Interest income and dividends

The recognition of income from interest and dividends follows the IFRS 9 rules.

Interest income must be calculated according to the effective interest rate method, i.e. by applying the effective interest rate to the gross carrying amount of the financial asset, except for:

- purchased or originated credit-impaired financial assets. For these financial assets, the entity must apply the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition;

- financial assets that are not purchased or originated credit-impaired financial assets but have become impaired financial assets in a second stage. For these financial assets, the

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entity must apply the effective interest rate to the amortized cost of the financial asset in subsequent periods.

Dividends are recognized in profit (loss) for the period only when:

- the entity's right to receive payment of the dividend arises;
- it is probable that the economic benefits arising from the dividend will flow to the entity;
- the amount of the dividend can be reliably measured.

Current and deferred taxes

Current tax payables and receivables are recognized at the value expected to be paid or recovered by the tax authorities by applying the tax rates and regulations in force or substantially approved at the reporting date.

Deferred income tax assets and liabilities are calculated based on the temporary differences between the values assigned to assets or liabilities in the financial statements and the corresponding values recognized for tax purposes.

Deferred tax liabilities are not recognized:

(iii) when they arise from the initial recognition of an asset/liability other than in a business combination which, at the time of the transaction, does not affect either the accounting or the taxable profit;

(iv) when they arise from temporary differences associated with investments in subsidiaries and joint ventures, to the extent that the entity is able to control the timing of the reversal of the differences and it is probable that the reversal will not occur in the foreseeable future.

Deferred tax assets, including those arising from unused tax losses and unused tax credits, are recognized when recovery is considered likely.

Deferred tax assets and liabilities are not discounted and are calculated on the basis of the rates expected to be applicable when the taxes are used or canceled.

Current and deferred taxes are debited or credited directly to equity if they relate to items charged directly to equity. Deferred tax assets and liabilities are recognized respectively in non-current assets and non-current liabilities, and are offset only when there is a legal right to offset current taxes and when this right will result in a lower effective tax outlay. Furthermore, again where there is a legal

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right to offset, deferred tax assets and liabilities that will not result in any current tax liability or asset at the time of their repayment are offset.

When an asset is revalued for tax purposes and the revaluation is not related to an accounting revaluation in a previous period, or to one that is expected to occur in a subsequent period, the deferred tax assets on the temporary difference arising from the revaluation are recognized in the income statement.

Current and deferred tax assets or liabilities must be recognized and assessed by applying the requirements of IAS 12 on the basis of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, and tax rates determined by applying IFRIC Interpretation 23.

In the event of any uncertainty regarding the application of the tax legislation, in accordance with the IFRS 23 interpretation:

- in cases where it considers that the taxation authority is likely to accept the uncertain tax treatment, Amplifon determines the income taxes (current and/or deferred) to be recognized in the financial statements on the basis of the tax treatment that it has used or plans to use in its income tax filing;
- in cases where it considers that the taxation authority is unlikely to accept the uncertain tax treatment, Amplifon reflects this uncertainty in the determination of the income taxes (current and/or deferred) to be recognized in the financial statements;
- the uncertain tax assets/liabilities are represented in the items that contain income tax assets and liabilities and not in other items of the financial statements.

<u>Value added tax</u>

Revenues, costs and assets are recognized net of value added tax, except where this tax 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 part of the cost item recognized in the income statement.

The net amount of indirect sales taxes expected to be recovered from or paid to the taxation authority is included in the financial statement in other receivables or other payables, depending on whether the amount is positive or negative.

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## Notes on the asset items

### Non-current assets

**1.** *Intangible fixed assets with a finite useful life*

These amount to €46,522 thousand and consist mainly of software specifically dedicated to Amplifon's provision to subsidiaries of a wide range of IT services that allow the Group companies to carry out operating and management activities.

This item comprises:

- €1,081 thousand for licenses, trademarks and similar rights
- €36,630 thousand for software
- €8,811 thousand for assets under construction and payments on account

**2.** *Property, plant and equipment*

This item, amounting to €9,598 thousand, consists mainly of furniture and furnishings and IT equipment present at the Company's headquarters in Milan, at Via Ripamonti 131/133, as well as improvements to third-party assets relating to the same headquarters.

**3.** *Right-of-use assets*

Right-of-use assets, amounting to €22,554 thousand, include the values of the rights of use related to the lease for the Company's headquarters in Milan, as well as to long-term rental contracts for vehicles assigned to employees, determined in accordance with IFRS 16 – *Leases*.

**4.** *Long-term investments*

This item, amounting to €1,245,354 thousand, includes the investments in Italian and foreign companies held directly by Amplifon.

The table below summarizes the changes occurring during the period in investments measured at cost.

| (€ thousands) | Country | Balance as at 12/31/2019 | Liquidations/ mergers/ disposals | Capital account increases/ payments | Reclassifications / Other movements | *Stock Grants* | Revaluations (write-downs) | Balance as at 12/31/2020 |
|---|---|---|---|---|---|---|---|---|
| Amplifon Groupe France SA | France | 117,670 | | | | -258 | | 117,412 |
| Amplifon Australia Holding PTY Ltd | Australia | 67,128 | | | | -844 | | 66,284 |
| Amplifon Iberica SA | Spain | 545,937 | | | | -487 | | 545,450 |
| Amplifon Magyarorszàg Kft | Hungary | 2,555 | | | | -113 | | 2,442 |
| Amplifon AG | Switzerland | 4,085 | | | | -89 | | 3,996 |
| Amplifon Nederland BV | Netherlands | 148,720 | | | | -508 | | 148,212 |
| Amplifon USA Inc. | USA | 61,380 | | | | -166 | | 61,214 |
| Amplifon Hearing Middle East | Egypt | 234 | | | | | | 234 |
| Amplifon Deutschland GmbH | Germany | 151,733 | | | | -368 | | 151,365 |
| Amplifon UK Ltd | England | 27,317 | | | | -520 | | 26,797 |
| Amplifon Poland Sp.z.o.o. | Poland | 3,308 | | 1,117 | | 5 | -4,429 | - |
| Amplifon Cell - Malta | Malta | 1,000 | | | | | | 1,000 |
| Medtechnica Ortophone | Israel | 9,233 | | 274 | | | | 9,507 |
| Amplifon RE SA | Luxembourg | 3,700 | | | | | | 3,700 |
| Amplifon Belgium NV | Belgium | 15,068 | | | | -75 | | 14,993 |
| Microson S.A. | Spain | 4,000 | | | | | | 4,000 |
| GAES S.A. - Chile | Chile | 20,667 | | 650 | | 76 | | 21,393 |
| GAES S.A. - Argentina | Argentina | 17,347 | -17,347 | | | | | - |
| Beijing Cohesion H.S & t. co. Ltd | China | 19,679 | | 1,784 | | 6 | | 21,470 |
| Otohub Srl | Italy | 11,312 | | | | | | 11,312 |
| Attune Hearing Pty Ltd | Australia | | | 34,571 | | | | 34,571 |
| **Total** | | **1,232,073** | **-17,347** | **38,396** | **-** | **-3,339** | **-4,429** | **1,245,354** |

With regard to the valuation of the investments, in the presence of trigger events, the recoverability of the values recognized in the financial statements was verified through impairment testing. In view of the contingent situation due to the COVID-19 health emergency and the consequent negative impacts on the business, impairment testing for all the investments was carried out using

the Discounted Cash Flow (DCF) method, net of taxes. The value in use of the investments was determined by discounting the expected flows deriving from the three-year business plans (2021-2023), approved by the corporate bodies of the subsidiaries, with the exception of the English and Italian subsidiaries (Amplifon UK Ltd. and Otohub S.r.l.), for which a five-year plan was considered, and the Chinese subsidiary (Beijing Cohesion H.S & t. co. Ltd), for which a 10-year plan was considered.

The main assumptions made by the management for estimating the value in use concern the discount rate (WACC), the growth rate (g) and the expected fluctuations in revenue and costs during the period covered by the calculation. The discount rate used for discounting cash flows expresses the weighted average cost of capital (WACC) post tax. It reflects current market valuations and was determined using: the CGU-level free-risk rates corresponding to the yield on ten-year government bonds, the Beta, the Equity Risk Premium, and the cost of debt.

In particular, the Equity Risk Premium and Beta values were determined in accordance with best practice using an internationally recognized database (Damodaran), which in relation to the Equity Risk Premium takes into account specific market and macroeconomic risks, including specific COVID-19 risks, and in relation to the Beta, which measures the systematic risk of a financial asset, the specific risks of the market in which the Company operates. The Beta was determined through an arithmetic average of the Betas for the Healthcare Products, Healthcare Support Services, and Retail Special Lines segments.

The terminal perpetual growth rate for each country is in line with the International Monetary Fund's inflation forecast for 2024.

| | France | Netherlands | Germany | Belgium | Switzerland | Spain | UK | United States | Hungary | Australia | Poland | Israel | Egypt | Italy | China |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Growth rate (g) | 1.50% | 1.60% | 1.72% | 1.70% | 0.86% | 1.62% | 2.00% | 2.18% | 3.05% | 2.24% | 2.20% | 0.80% | 7.71% | 1.23% | 2.60% |
| Weighted average cost of capital (WACC) | 4.68% | 4.73% | 4.65% | 4.70% | 4.88% | 4.92% | 5.00% | 5.22% | 7.13% | 5.67% | 5.98% | 5.59% | 19.79% | 5.43% | 9.67% |
| Time horizon of cash flows (explicit forecast) | 3 years | 3 years | 3 years | 3 years | 3 years | 3 years | 5 years | 3 years | 3 years | 3 years | 3 years | 3 years | 3 years | 5 years | 10 years |

The impairment testing resulted in a write-down of €4,429 thousand for the Polish subsidiary (Amplifon Poland Sp.z.o.o.)

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A sensitivity analysis was also carried out to determine the change in the value assigned to the basic assumptions which, after considering any modifications produced by this change on the other variables used, makes the recoverable amount of the subsidiary equal to its carrying amount.

This analysis, shown in the following table, revealed that only significant changes in the achievement of the business objectives and in interest rate levels would reduce the recoverable amount to a level close to the carrying amount for all subsidiaries.

| | Negative variation (percentage points) in perpetual growth rates that would make the recoverable amount of the equity interest equal to its carrying amount | Negative variation (percentage points) in expected cash flows based on individual business plans that would make the recoverable amount of the equity interest equal to its carrying amount | Variation (percentage points) in discount rates that would make the recoverable amount of the equity interest equal to its carrying amount |
|---|---|---|---|
| Amplifon Groupe France SA | 18 | 84 | 32 |
| Amplifon Australia Holding PTY Ltd | 14 | 81 | 22 |
| Amplifon Iberica SA | 13 | 80 | 18 |
| Amplifon Magyarorszàg Kft | 45 | 93 | >100 |
| Amplifon AG | >100 | >100 | >100 |
| Amplifon Nederland BV | >100 | >100 | >100 |
| Amplifon USA Inc. | >100 | >100 | >100 |
| Amplifon Deutschland GmbH | 93 | 88 | >100 |
| Amplifon Belgium NV | 17 | 85 | 29 |
| Amplifon UK Ltd | 4 | 58 | 5 |
| Medtechnica Ortophone | 0 | 0 | 0 |
| Amplifon Hearing Middle East | 36 | 90 | >100 |
| Amplifon RE SA | 49 | 95 | >100 |
| Amplifon cell | >100 | >100 | >100 |
| Microson | 4 | 55 | 4 |
| Gaes Chile | 2 | 40 | 3 |
| Beijing Cohesion H.S. & t. co. Ltd | 1 | 1 | 1 |
| Attune Hearing Pty Ltd | 1 | 1 | 1 |

### *5. Equity interest in the Transferee*

This item, amounting to €25,000 thousand, includes the equity interest in the Italian company Amplifon Italia, incorporated on January 21st, 2021 in order to carry out the Operation described in this Information Document. The value of the equity interest represents the value of the reserved Amplifon Italia capital increase subscribed by Amplifon and paid up on April 12, 2021 through the Contribution of the Italy Division, which includes the assets and liabilities resulting from the Reference Statement of Financial Position.

### *6. Hedging instruments*

Hedging instruments, amounting to €4,327 thousand, consist of financial derivatives not listed on official markets, subscribed for the purpose of hedging interest rate and/or currency risk. The fair

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value of these instruments is determined by the dedicated department using valuation models based on market-derived inputs such as forward interest rates, exchange rates, etc. (source: Bloomberg). The measurement technique adopted is the discounted cash flow approach. Own risk and counterparty risk (credit/debit value adjustments) were accounted for when calculating fair value. These credit/debit value adjustments were determined on the basis of market information such as the value of CDSs (Credit Default Swaps) in order to determine the counterparty risk of individual banks when determining Amplifon's risk while taking into account any mutual break clauses, where present.

***7.*** *Other non-current financial assets in subsidiaries*

These amount to €74,600 thousand and include the long-term share of loans granted by Amplifon to subsidiaries.

The details of the financial assets are as follows:

- the residual €15 million portion of loans granted in previous financial years to the German subsidiary Amplifon Deutschland GmbH;
- the residual €20 million portion of the loans granted in previous financial years to the French subsidiary Amplifon Groupe France SA;
- the loan of €30 million granted to the French subsidiary Amplifon Groupe France SA;
- the €9,600 thousand long-term portion of the loan granted to the subsidiary Amplifon Iberica SA.

***8.*** *Deferred tax assets*

These amount to €23,280 thousand and consist mainly of deferred tax assets related to the revaluation of the trademark and goodwill tax relief on acquisitions.

***9.*** *Other non-current assets*

These include the long-term portions of accrued income and prepaid expenses, and amount to €481 thousand.

**Current assets**

***10.*** *Receivables from customers*

These amount to €15,406 thousand and consist mainly of receivables from suppliers of hearing aids, with respect to the envisaged discounts granted contractually in return for achievement of the agreed purchase targets.

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### *11. Receivables from subsidiaries and parent companies*

These amount to €120,333 thousand and consist mainly of receivables from the Group's subsidiaries (€118,954 thousand) originating both from the sale of products (hearing aids, batteries and accessories) and from the sale of services, mainly IT services and strategic services. The item also includes receivables of €1,378 thousand from the indirect parent company Amplifin S.p.A. relating to the share of restructuring works at the Milan headquarters, paid in advance by Amplifon.

### *12. Other receivables*

These amount to €10,572 thousand, and consist mainly of credits for advance payments of IRES [corporate income tax] and IRAP [regional tax on productive activity] direct taxes (€6,691 thousand) and accrued income and prepaid expenses (€1,644 thousand).

### *13. Short-term financial receivables from subsidiaries*

Short-term financial receivables from subsidiaries amount to €67,901 thousand and relate to:

- interest-bearing loans between the Company and its subsidiaries, governed during the financial year by interest rates linked to the functional currency (Euro) at market economic conditions, amounting to €36,971 thousand, within the scope of the cash pooling contract;
- the short-term portion of loans granted to the German, French and Spanish subsidiaries, amounting to €30,930 thousand.

### *14. Cash and cash equivalents*

These include the amounts available at banks amounting to €417,644 thousand, as well as the cash and revenue stamps on hand at the Company's headquarters.

## Non-current liabilities

### *15. Long-term loans from third parties*

Loans from third parties, amounting to €949,512, consist of the following items, including accrued and unpaid interest:

- the syndicated loan of €159,000 thousand for the acquisition of GAES;
- the bond loan of €350,000 thousand issued on February 5, 2021;
- bank loans amounting to €440,512 thousand.

As at December 31, 2020, as a result of the Operation, it is confirmed that all covenants provided for in the loan agreements described above were complied with. It is also specified that, as at December 31, 2020, the management does not foresee any reason to suppose that the covenants will not be complied with throughout the entire plan period (2021-2023).

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At the Effective Date, it is expected that: (i) the Company will become party to an amendment of the agreement for the syndicated loan for the acquisition of GAES, whereby certain limits on the assumption of financial debt by Amplifon Italia will be introduced; and (ii) Amplifon Italia will grant guarantees to Amplifon and Amplifon USA Inc. in respect of the obligations assumed by the latter, respectively, under the terms of the bond loan issued on February 5, 2021 and the bond loan issued on April 24, 2013.

### 16. *Long-term loans from subsidiaries*

This item, amounting to €89,642 thousand, includes the long-term portion of loans received from subsidiaries.

### 17. *Other payables to third parties*

This item amounts to €1,449 thousand and includes payables to personnel for incentives with payment beyond 12 months.

### 18. *Lease liabilities*

Lease liabilities amount to €21,090 thousand and represent the long-term portion of the present value of future lease payments during the lease term, in relation to the lease for the company's headquarters in Milan and to long-term rental contracts for vehicles assigned to employees, both determined in accordance with IFRS 16 – *Leases*.

### 19. *Liabilities for employee benefits*

These amount to €779 thousand and include the *Trattamento di Fine Rapporto* (TFR) severance indemnity, measured in accordance with IAS 19, in relation to the Fund accrued until December 31, 2006 and not yet paid, pursuant to Law no. 296/06, which required Amplifon S.p.A. to pay the TFR accrued from January 1, 2007 into a special Treasury Fund set up at the INPS or into the Supplementary Pension Funds chosen by the employee. This item also includes the funds for the personnel of the French Branch.

### 20. *Hedging instruments*

Hedging instruments, amounting to €5,963 thousand, consist of financial derivatives not listed on official markets, subscribed for the purpose of hedging interest-rate and/or currency risk. The fair value of these instruments is determined by the dedicated department using valuation models based on market-derived inputs such as forward interest rates, exchange rates, etc. (source: Bloomberg). The measurement technique adopted is the discounted cash flow approach. Own risk and counterparty risk (credit/debit value adjustments) were taken into

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account when calculating fair value. These credit/debit value adjustments were determined on the basis of market information such as the value of CDSs (Credit Default Swaps) in order to determine the counterparty risk of individual banks when determining Amplifon's risk and taking into account any mutual break clauses, where present.

***21.*** *Long-term payables for acquisitions*

This item amounts to €21,584 thousand and relates to the acquisition of the Chinese company Beijing Cohesion Hearing Science & Technology Co. Ltd, in which Amplifon S.p.A. has held a 51% stake since November, 2018.

**Current liabilities**

***22.*** *Payables to suppliers*

These amount to €60,689 thousand and include debts to suppliers for the purchase of products and services not yet settled as at December 31, 2020. This item also includes provisions for invoices yet to be received from suppliers for the purchase of goods and services.

***23.*** *Payables to subsidiaries*

Payables to subsidiaries, amounting to €14,722 thousand, consist of debts for services rendered to Amplifon by subsidiaries.

***24.*** *Other payables to third parties*

These amount to €16,343 thousand and include payables to employees for salaries, including any variable remuneration and bonuses paid on a deferred basis with respect to December 31, 2020. They also include, for employees, unused annual leave and deferred additional months' pay. The values also include any payables for social security contributions and other charges related to these items.

***25.*** *Financial payables*

These amount to €68,226 thousand and include the short-term portions of loans from third parties described in "Long-term loans from third parties", which are included in Non-current liabilities.

***26.*** *Financial payables to subsidiaries*

Financial payables to subsidiaries, amounting to €174,379 thousand, consist mainly of the following:

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- €172,577 thousand representing the balance of cash pooling current accounts maintained with certain subsidiaries (Euro zone, Americas and APAC countries), governed during the year by the interest rate established by the individual contracts;
- €1,802 thousand representing the share of interest accrued on the intercompany bond loan as at December 31, 2020.

### *27. Lease liabilities*

Lease liabilities amount to €2,423 thousand and represent the short-term portion of the present value of future lease payments during the lease term, in relation to the lease for the company's headquarters in Milan and to long-term rental contracts for vehicles assigned to employees, both determined in accordance with IFRS 16 – *Leases.*

### *28. Hedging instruments*

Hedging instruments, amounting to €112 thousand, consist of financial derivatives not listed on official markets, subscribed for the purpose of hedging interest rate and/or currency risk. The fair value of these instruments is determined by the dedicated department using valuation models based on market-derived inputs such as forward interest rates, exchange rates, etc. (source: Bloomberg). The measurement technique adopted is the discounted cash flow approach. Own risk and counterparty risk (credit/debit value adjustments) were taken into account when calculating fair value. These credit/debit value adjustments were determined on the basis of market information such as the value of CDSs (Credit Default Swaps) in order to determine the counterparty risk of individual banks when determining Amplifon's risk while accounting for any mutual break clauses, where present.

### *29. Tax payables*

This item amounts to €17,616 thousand and consists mainly of:

- €5,381 thousand in current direct tax payables;
- €4,270 thousand in withholding tax payables for employees and other collaborators;
- €1,688 thousand in VAT payables.

## Notes on the income statement items

### *30. Revenue from sales and services*

This item amounts to €5,246 thousand and include revenue from the sale of products to Group companies in the context of the Group's centralized purchasing function, which began operating in the second half of 2020.

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### *31. Operating costs*

This item amounts to €106,556 thousand and consists mainly of:

- personnel costs of €46,293 thousand;
- facility service costs of €60,262 thousand.

### *32. Other income and costs*

Other income and costs amount to €75,404 and consist mainly of income from the provision of centralized services such as strategic activity, human resources management, centralized procurement, Group strategic marketing, administration and control services, assistance in relations with banks, and the implementation of common IT systems.

### *33. Depreciation and amortization*

This item amounts to €13,905 thousand and includes depreciation and amortization of:

- €2,858 thousand in respect of tangible assets, represented mainly by depreciation of rights of use relating to the building housing the company's registered office at Via Ripamonti 131/133 in Milan;
- €8,995 thousand in respect of intangible fixed assets, represented mainly by amortization of software;
- €2,052 thousand in respect of rights of use relating to the Milan headquarters.

### *34. Income, financial expenses and value adjustments on financial assets*

This item amounts to €40,915 thousand and includes:

- dividends of €62,597 thousand; and
- interest income and expenses of €16,874 thousand;
- net of write-downs of investments amounting to €4,229 thousand.

### *35. Current and deferred income taxes for the year*

Income taxes for the year amount to €4,016 thousand and include current taxes of €8,341 thousand and deferred taxes with a positive balance of €4,325 thousand.

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# Relazione di revisione contabile limitata del bilancio carve-out

Al Consiglio di Amministrazione di
Amplifon S.p.A.

## Introduzione

Abbiamo svolto la revisione contabile limitata dell'allegato bilancio carve-out di Amplifon S.p.A. (nel seguito anche "Società"), costituito dal prospetto della situazione patrimoniale-finanziaria al 31 dicembre 2020, dal conto economico per l'esercizio chiuso a tale data e dalle relative note illustrative. Tale bilancio (nel seguito il "Bilancio Carve-Out") è stato redatto per le finalità di inclusione nel documento informativo predisposto su base volontaria in coerenza con le indicazioni di cui allo Schema 3 dell'Allegato 3B, richiamato dall'articolo 71 del regolamento di attuazione del Decreto Legislativo 24 febbraio 1998, n. 58, concernente la disciplina degli emittenti, adottato con deliberazione Consob n. 11971 del 14 maggio 1999 e successive modifiche e integrazioni, relativo al conferimento in natura del ramo d'azienda c.d. "Ramo Italia" da parte di Amplifon S.p.A. a integrale liberazione di un aumento di capitale di società interamente controllata (nel seguito il "Documento Informativo").

Il Bilancio Carve-Out è stato predisposto dagli Amministratori di Amplifon S.p.A. secondo i criteri descritti nelle note illustrative, al fine di fornire la situazione patrimoniale e finanziarie al 31 dicembre 2020 e il risultato economico per l'esercizio chiuso a tale data di Amplifon S.p.A. a seguito dell'esclusione dal perimetro della Società del complesso delle attività e passività e dei dati economici relativi al Ramo Italia.

Gli Amministratori di Amplifon S.p.A. sono responsabili per la redazione del Bilancio Carve-Out in conformità ai criteri descritti nelle note illustrative. E' nostra la responsabilità di esprimere una conclusione sul Bilancio Carve-Out sulla base della revisione contabile limitata svolta.

## Portata della revisione contabile limitata

Il nostro lavoro è stato svolto in conformità all'International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

KPMG S.p.A. è una società per azioni di diritto italiano e fa parte del network KPMG di entità indipendenti affiliate a KPMG International Limited, società di diritto inglese

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La revisione contabile limitata del Bilancio Carve-Out consiste nell'effettuare colloqui, prevalentemente con il personale della Società responsabile degli aspetti finanziari e contabili, analisi di bilancio ed altre procedure di revisione contabile limitata. La portata di una revisione contabile limitata è sostanzialmente inferiore rispetto a quella di una revisione contabile completa svolta in conformità agli International Standards on Auditing e, conseguentemente, non ci consente di avere la sicurezza di essere venuti a conoscenza di tutti i fatti significativi che potrebbero essere identificati con lo svolgimento di una revisione contabile completa. Pertanto, non esprimiamo un giudizio sul Bilancio Carve-Out.

## Conclusioni

Sulla base della revisione contabile limitata svolta, non sono pervenuti alla nostra attenzione elementi che ci facciano ritenere che l'allegato Bilancio Carve-Out di Amplifon S.p.A. al 31 dicembre 2020 non sia stato redatto, in tutti gli aspetti significativi, in conformità ai criteri illustrati nelle note illustrative.

## Richiamo di informativa – Criteri di redazione e limitazione alla distribuzione e all'utilizzo

Richiamiamo l'attenzione alle note illustrative al Bilancio Carve-Out che descrivono i criteri di redazione. Il Bilancio Carve-Out è stato redatto per le finalità di inclusione nel Documento Informativo. Di conseguenza il Bilancio Carve-Out può non essere adatto per altri scopi. La nostra relazione viene emessa solo per l'inclusione nel Documento Informativo e non potrà essere utilizzata per altri fini. Le nostre conclusioni non sono espresse con rilievi in relazione a tale aspetto.

Milano, 20 aprile 2021

KPMG S.p.A.

Claudio Mariani
Socio

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# 6. PROSPECTS OF THE ISSUER AND ITS GROUP

## 6.1 General information on the trend of the Issuer's business since the end of the financial year to which the last published annual accounts relate

During the first months of 2021, the Group continued its external growth with the acquisition of 98 shops in Italy, Germany, France and Israel.

Current developments within the COVID-19 pandemic and the spread of new variants of the virus, together with uncertainty around the timing of vaccinations in various Countries, limit visibility over the coming months and require the Group to continue to adopt a degree of caution. However, it is noted that despite the current restrictive measures within said various Countries and the continuing negative trend within the retail hearing care market, the beginning of 2021 has resulted in a solid performance for Amplifon compared to the same period of last year and points to a first quarter of growth, in part thanks to a more favorable comparison base with reference to the same period last year.

## 6.2 Information on the Issuer's prospects for the current financial year

Current developments within the COVID-19 pandemic and the spread of new variants of the virus, as well as uncertainties around the timing of vaccinations in various countries internationally, limit visibility over the coming months and demand continued caution. In the first two months of 2021, despite various restrictive measures remaining in place within several countries and the performance of the retail hearing care market remaining negatively impacted by the COVID-19 emergency, the Group estimates that it will perform ahead of the market, with revenues equal to those recorded in January and February 2020, which in turn recorded strong growth compared with the same period in 2019.

In 2021, the Group expects a gradual normalization of the hearing care market throughout the course of the year, with the progressive roll-out of vaccination campaigns and consequent relaxation of restrictive measures.

Additionally, assuming the above-mentioned gradual normalization of the market during the course of the year, in 2021 the Group expects:

- revenues, to grow at a faster pace than the reference market, with a strong recovery compared to 2020;
- profitability, to continue to benefit from the actions implemented throughout 2020, resulting in a significant increase in EBITDA margin compared with 2019.

Finally, the Group remains extremely positive in the medium term with regard to sales and profitability, confident in the proven resilience of its business, the quality of the sector's fundamentals, and the unaltered behavioral trends of consumers, as well as its increasingly competitive positioning, sound strategy and bold capacity for action both in the context of growth and challenging situations such as the current one.

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**ATTACHMENTS**

1. Italy Division Appraisal Report

2. Amplifon press release published on December 16, 2020

3. Amplifon press release published on March 3, 2021

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## ATTACHMENT 1 - ITALY DIVISION APPRAISAL REPORT

# VALUATION REPORT, PURSUANT TO ARTICLE 2465 OF THE ITALIAN CIVIL CODE, OF THE ITALY BUSINESS UNIT OF AMPLIFON S.P.A., AS AT THE REFERENCE DATE OF DECEMBER 31, 2020

**Prof. Andrea Amaduzzi**

*Full Professor of Business Management*
*of the University of Milano-Bicocca*

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# 1. INTRODUCTION

This report has been prepared in accordance with the mandate conferred by Amplifon S.p.A., with registered office in Milan, Via G. Ripamonti, 131/133, Tax Code and VAT Registration No. 04923960159 (the "Company" or "Amplifon") on the undersigned Prof. Andrea Amaduzzi, Full Professor of Business Management at the University of Milano Bicocca, Chartered Accountant and Statutory Auditor ("Expert"), to carry out a valuation of the "Italy Business Unit" (or "Italy Division") in the event of a transfer, pursuant to and in accordance with the provisions of Article 2465 of the Italian Civil Code, as at the reference date of December 31, 2020.
In effect, as will be illustrated below in more detail, Amplifon S.p.A. is examining the strategic project of transferring the Italy Business Unit (through assignment) to a newly established pre-existing company, as better identified below, for the purpose of achieving specific business objectives.
With regard to the content and above-mentioned limits and aims of the valuation mandate, the undersigned proceeded, in strict compliance with the valuation methods regarding assignment, to:
- describe the assets (constituting the Italy Division) subject to assignment;
- indicate the valuation criteria adopted;
- certify the minimum value assigned to the assets constituting the Italy Division, at the reference date of the estimate.

With regard to the above and to the specific restricted finalistic and regulatory scope in which this valuation report was requested and prepared, the author states this his exclusive purpose was to certify the value of the assets (constituting the Italy Division) under the scope of the proposed assignment therefore, as a result, no total or partial value of the assets to be assigned can be used in another setting for a different purpose.

The reference date of this valuation is December 31, 2020, the date of the financial statements of the Italy Division handed over to the undersigned Expert and approved by the Company's Board of Directors on March 3, 2021.

## 1.4 Valuation reference documentation

The Expert was provided with the following accounting and information documents in order to carry out the valuation:

- Articles of Association of "Amplifon S.p.A.";
- Statutory Financial Statements of the Italy Division as at December 31, 2020, approved by the Company's Board of Directors on March 3, 2020, and details of the related items;
- List of points of sale included in the Italy Division (Annex A);
- List of registration numbers of the employees of the Italy Division;
- List of contracts relating to the Italy Division;
- Financial data for the Italy Division: balance sheets for 2019 and 2020, forecast figures for the 2021-2023 Plan;
- Main underlying assumptions for the preparation of the 2021-2023 Plan for the Italy Division, approved by the Amplifon Board of Directors on December 16, 2020;
- Certification of incorporation of the newly established company "Amplifon Italia S.r.l.";
- Any other documents or information deemed useful for the purpose of preparing this report.

The Expert also:
- acquired documents with information and statistics on the sector and on market data (source: "Factset" and "Mergermarket");
- consulted the contents of the website www.amplifon.com, for the sections relevant for the purpose of this expert opinion;

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- met several representatives of the Company's management for the purpose of posing specific questions with regard to individual accounting entries of a financial and income nature relating to the business unit to be assigned and valued and management issues.
- met with the Independent Auditors engaged for the Statutory Audit pursuant to the law ("KPMG"), in the person of the partner responsible, for the purpose of having feedback about the results of the periodic inspections as at December 31, 2020, with particular regard to the balances of the accounting items for the Italy Division subject to assignment. Specifically, the Independent Auditors confirmed, based on the results of the inspections conducted, that there were no findings with regard to the balances as at December 31, 2020;
- collected and examined the most recent and expert scientific and professional contributions on the subject of business valuation with special regard to estimates for assignment.

### 1.5 Limits of the mandate

The mandate conferred on the Expert ("Mandate"), and the results obtained, were subject, in addition to the limits pointed out previously, to the following limitations.
The documents and information used for the purpose of carrying out the Mandate were not subject to verifications, checks, reviews and/or analysis by the undersigned in accordance with the mandate given. Over the course of the analysis and in the preparation of the comments and conclusions, I assumed and relied on the accuracy, comprehensiveness and rationality of all the information and economic and financial and other assumptions that I was provided with, which remain the exclusive competence and responsibility of the Company Management. The documents and information used for the application of the valuation methodology described later on were exclusively analyzed in terms of overall rationality and consistency and no independent check was carried out on this information. Specifically, no independent audit procedures were conducted on the conferring Company's financial statement data, nor checks or verifications surrounding the possible existence of contingent liabilities of a tax, contractual or welfare nature, or related to risks of any kind not reported in the reference statement of financial position, as the Company is subject to regular statutory auditing.
The analyses conducted were formulated based on the material collected and made available by the Management of Amplifon. There were no accounting observations or checks, with the assumption of the correctness, comprehensiveness and accuracy of the data provided, except within the limits indicated by the nature of the Mandate conferred.
No express or implicit declaration, nor any guarantee relating to the accuracy and comprehensiveness of the information in the report is given by the undersigned and nothing contained in the report is or can be considered as a promise or indication of the Company's future results.

The estimate of the value of the Italy Division was carried out also taking into consideration forecast data estimated with regard to the economic-financial development in the 2021-2023 Plan (hereinafter the "Plan") prepared by the Company Management and it assumes that the assumptions will take place and the prospective targets will be reached. The economic and financial projections, uncertain and variable by nature, reflect the Company's future strategies. This report does not include explicit or implicit declarations or guarantees surrounding the achieving of future results.
Events that currently cannot be predicted relating to assumptions of results in the "Plan" could have an impact that could even be significant on the data presented. This estimate is therefore valid at the date of this report.

Note that updates or revisions of assumptions and projections, after the reference date of the valuation, could influence the value estimates given below, even to a significant extent. Any valuation of the company carried out in the past or any future estimates of the value could therefore differ and it is difficult to compare them with the estimates of this Mandate. No responsibility is taken for possible changes in market conditions and there is no obligation to update the contents of the report for the purpose of reflecting events and new conditions after the issue date.

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The content of the report should be interpreted as an estimate of a business unit, based on generally-accepted valuation criteria and theories applied to the case in question through the valuation methods deemed most appropriate in relation to the Mandate received.
It is understood that this report cannot, in any event, be used, in full or in part, for purposes other than those specified by the above-mentioned Mandate.
It also cannot, in any case, be disclosed or sent to third parties, in full or in part, for any reason, without the written consent of the undersigned.
This report cannot, under any circumstances, be reproduced, referred to or quoted without our prior written consent.

Consistent with the Mandate received, and based on the above, this estimate constitutes an opinion concerning the value of the Italy Division for the aims stated.
Therefore, any decision deriving from the results contained remain the full autonomy and responsibility of the management of the conferring Company, or any other party who should refer to this estimate.

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## — THE PROPOSED TRANSFER OPERATION

### 2.1 The transfer operation

Amplifon S.p.A. ("Amplifon"), registered on the Milan R.E.A. at no. 1064063 Tax Code and VAT Registration no. 04923960159, with registered office in Milan, Via G. Ripamonti, 131/133, has as its purpose, pursuant to Article 2 of the Articles of Association *"….. the sale of hearing aids, optical items, technical and scientific instruments and devices for all applications, with particular regard to those for use in the medical sector, as well as the production, design on its own account, study and sale of any other electronic and non-electronic devices, equipment, remedy or product, for curative, health, educational and rehabilitative purposes as well as prevention and protection in the workplace and in research laboratories and for the protection of the individual; the production and sale of sound booths and noise-insulation products for use in any sector; and the provision of technological support to the national health service.*
*The company may promote and organize industrial and market research, organize refresher and educational courses, coordinate and perform scientific research on its own account and that of third parties into the items produced, sold and studied by the company, within the limits of Law 1815/1939, and it may carry out publishing activities, nonetheless excluding the publication of daily newspapers. It may also carry out the maintenance, repair and construction and assembly of accessory or related parts, both to secure the customer base and to facilitate marketing and penetration of the respective markets….".*

On December 16, 2020, the Board of Directors of Amplifon preliminarily examined the launch of a transaction for the "Redefinition of the corporate structure" ("Operation") which involves, among other things, the transfer from Amplifon to a newly-established, pre-existing company ("NewCo") of the business unit involving management and coordination activities supporting the Italy business and, specifically, the activities overseeing the following areas:

- Purchasing, Italy;
- Logistics, warehouses and operations, Italy;
- Marketing, Italy;
- Medical activities, Italy;
- Investments and construction of points of sale, Italy;
- Maintenance of points of sale, Italy;
- Sales and sales support, Italy;
- IT systems management, Italy;
- Human resources, Italy;
- Administration, finance and control, Italy;
- Legal affairs, Italy.

The purpose of the Operation therefore is organizational-industrial and will involve the transfer of the Italy Division to a newly established company, wholly-controlled by "Amplifon" (so-called "spin-off"). The Operation will break down into the following phases:

1. The establishment of a new company wholly owned by Amplifon ("NewCo"), initially set up in the form of a limited liability company (S.r.l.).
2. Transfer pursuant to Article 2465 of the Italian Civil Code by Amplifon to the NewCo of the Italy Division in continuity with the accounting and tax values based on the statement of financial position of the Italy Division as at December 31, 2020.
3. Subsequently a share capital increase for the NewCo reserved to Amplifon in the context of the transfer, plus any premium.

Note that the transferee NewCo was initially established as a limited liability company with a sole director but, at the same time as the approval of the share capital increase to service the transfer of the

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Italy Division, its conversion into a joint-stock company will be approved. The date that the capital increase and conversion becomes effective has been deferred until the first day of the month following the signing of the deed of transfer.
The appointment of the Board of Directors and Board of Statutory Auditors will also be approved at the same meeting. They will take office with effect from the effective date of the capital increase and the conversion.

Structured in this way, the Operation will allow the following objectives to be achieved:

- changing the corporate structure of the Amplifon Group in line with the development of the organizational structure and multinational nature of the Group. In this context, the holding company, a listed parent company, will be involved in the definition and development of the strategic planning and strategic coordination activities for the entire Group, while the oversight of the operating activities of Italy will be the responsibility of the NewCo (mirroring what has already taken place for the subsidiaries operating in other geographical areas where there is a presence);
- ensuring a better understanding of the individual business areas guaranteeing governance that always better meets the requirements of the efficient and effective management of the individual businesses;
- guaranteeing greater management accountability for Italy together with greater process effectiveness, including through the appointment of the same management in the corporate bodies of the NewCo (Board of Directors).

In any event, the spin-off process described does not change the overall profile of the Company's or Group's activities and does not alter the basic operational characteristics.

In this context, on January 21, 2021, the company Amplifon Italia S.r.l. was established, with registered office in Milan, Via G. Ripamonti 131/133, Tax Code 11567540965, identified as the beneficiary NewCo of the proposed transfer of the Italy Division, wholly owned by Amplifon S.p.A. with the same business purpose as the parent company.

## 2.2 Description of the purpose of the transfer

From an operational standpoint the Italy Division currently focuses on the sale of acoustic solutions in Italy. In 2020 revenue was €217.9 million from the sale of Hearing Aids (HA) and €59.1 million from the sale of other products (batteries, cleaning products electronic products, connectivity accessories).
The 2020 financial year was significantly affected by the Covid-19 pandemic, in 2019 the total revenue was €335.8 million. Nonetheless, sales activity is gradually recovering as of the second half of the year.
The territory is split into 3 regions and 36 areas with a total of 599 shops and 95 mini shops. The distinction between the two shop types lies within a series of operational characteristics, in particular: the physical size, the possibility of having a warehouse space and the degree of computerization.
All the shops are rented, none are owned. In addition, there are 3,241 Touch Points ("store-in-store", corners, hubs), the Italy business also collaborates with a large number of opticians and chemists. The HA market is commercially classified under three subtypes: "Free Market", "Partially Funded Market" and "Social Services Market".
In the "Free Market" the hearing-impaired customer purchases an acoustic solution entirely at their own expense. In the other two markets (prescribed because ASL (local health authority) authorization is required) there is a government contribution. In the "Social Services Market" the cost is covered in total by the State, and indeed the invoice is issued to the ASL. In the "Partially Funded Market" part of the cost is incurred by the State with the remainder at the expense of the hearing-impaired customer,

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(and indeed two invoices are issued). The two "prescription" markets are regulated by a National Tariff Index.
As far as the shop network is concerned, 613 of the points of sale (including the mini shops) are managed by self-management agents (ATG). Self-management is the result of a dual contract, an agency contract with provisions for storage of the products and a company branch rental. The remaining 81 shops are managed by employees.
The total number of people who work nationwide in shops (employees, ATG and their assistants) is 1,690. As of December 31, 2020, the number of employees in the Italy Division was 419.
The Italian cost structure is particularly flexible, indeed approximately 63% of the costs are variable (essentially commissions, premiums, and cost of sale). The overall business margin (EBITDA benchmark) is significant.
Amplifon operates with four of the five main global manufacturing players.
Competitors within Italy are: Retail chains owned by the main manufacturers of HA, and independent hearing care specialists. None of the main chains is present in southern Italy.
Amplifon's market share in Italy is approximately 40% and its shop share is approximately 26%.
The opportunity to utilize a brand with considerable commercial awareness, market share and a capillary territorial presence in each region, constitute the business division's strengths, ensuring a sustainable competitive advantage in the medium term.

* * *

After identifying and describing the activity carried out, we feel it is a good idea to examine the Italy Division from a corporate/statutory/tax, accounting and management perspective, with regard to results achieved and forecast.
First, from a corporate, statutory and tax perspective, the Italy Division has all the characteristics/conditions required by business management, commercial law and tax legislation to be identified as a "business unit": it is therefore configured as a coordinated collection of assets (tangible and intangible), personnel and contractual relations functionally and mutually connected in such a way as to constitute a unified production complex.
The Italy Branch in question features organizational autonomy; the business unit employees are hierarchically organized and have specialist know how in the field of expertise.
Generally speaking, for the purpose of identifying a "business unit" it does not have to be within an independent accounting division of the transferring company, but all the organized assets must have the aptitude to realize the pre-ordained economic purpose, in line with the provision of Article 2555 of the Italian Civil Code: the analysis conducted for the Italy Division subject to transfer and therefore to this valuation demonstrates these characteristics precisely, as will be clearly shown below.
The Italy Division consists of a coordinated collection of assets (tangible and intangible), personnel and contractual relations, functionally and mutually connected to constitute a unitary production complex, pertaining to the characteristic activity carried out by Amplifon S.p.A. in Italy, of distributing acoustic equipment via points of sale.

* * *

From an accounting perspective and with special regard to the strict listing required by the regulatory framework, the Italy Division in question was made up of the following assets and liabilities at the reference date of December 31, 2020, as can be deduced from the statement of assets and liabilities of the business unit approved by the Company's Board of Directors on March 3, 2021:

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| *(in €)* | **December 31, 2020** |
|---|---|
| **ASSETS** | |
| **Non-current assets** | |
| Goodwill | 536,417 |
| Intangible fixed assets with finite useful life | 6,861,234 |
| Tangible fixed assets | 18,530,995 |
| Right-of-use assets | 68,894,992 |
| Investments | 500 |
| Deferred tax assets | 3,779,219 |
| Deferred contract cost assets – long term | 2,495,099 |
| Other non-current assets | 12,507,016 |
| **Total non-current assets** | **113,605,472** |
| **Current assets** | |
| Inventories | 8,751,608 |
| Trade receivables | 36,919,305 |
| Deferred contract cost assets – short term | 2,128,856 |
| Other receivables | 11,470,817 |
| Short-term financial receivables from subsidiaries | 50,122 |
| Cash and cash equivalents | 20,931,924 |
| **Total current assets** | **80,252,632** |
| **TOTAL ASSETS** | **193,858,104** |

| (€ thousands) | **December 31, 2020** |
|---|---|
| **LIABILITIES** | |
| **Non-current liabilities** | |
| Lease liabilities | 56,257,692 |
| Provision for risks and charges | 17,375,118 |
| Liabilities for employees' benefit | 2,686,111 |
| Deferred contract cost liabilities - long term | 26,683,609 |
| Deferred tax liabilities | 768,816 |
| **Total non-current liabilities** | **103,771,346** |
| **Current liabilities** | |
| Other third-party liabilities | 29,180,485 |
| Deferred contract cost liabilities - short term | 22,833,410 |
| Lease liabilities | 13,072,863 |
| **Total current liabilities** | **65,086,758** |
| **TOTAL LIABILITIES** | **168,858,104** |
| **Net Assets of the transferred Division** | **25,000,000** |
| **Net Assets and Liabilities of the transferred Division** | **193,858,104** |

*Source: Amplifon S.p.A.*

With regard to the accounting balances relating to the reference financial position as at December 31, 2020 reported above, based on the evidence obtained and findings based on the mandate conferred, the following can be reported.

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## ASSETS

### NON-CURRENT ASSETS €113,605,472

*Goodwill* *€536,417*

The goodwill recorded derived from the acquisition for a consideration (before the transition to international accounting standards that took place in 2005) of branch offices located in Italy and the goodwill derived from the acquisition and subsequent merger of Audika Italia S.r.l. in 2015, qualified as a business combination (pursuant to accounting standard IFRS 3 Business Combinations).
Goodwill, consistent with the provisions of international accounting standards, is not amortized but periodically subjected to impairment tests pursuant with international accounting standard IAS 36 Impairment of Assets.

*Intangible fixed assets with finite useful life* *€6,861,234*

The following are recorded under intangible fixed assets with finite useful life:

a) The customer list from the acquisition and subsequent merger of Audika Italia S.r.l. that took place in 2015, already referred to previously (€2,600,000);
b) The considerations paid for non-complete agreements to former agents operating in Italy who in previous years who ended their relationship with Amplifon (€801,846, in addition to assets under construction for €400,000);
c) Software expressly dedicated to carrying out operational and management activities used by the network of shops in Italy, intended to support business in the shops, both during the sales stage and collateral activities (such as: administration, finance, hardware setup) (€2,425,208, plus assets under construction for €361,099);
d) Key money, namely the sums paid to store managers to vacate the premises before the expiry of the rental agreement for Amplifon to be able to take over (the sum of €163,094);
e) Other intangible fixed assets (Other assets under construction, €71,600; Licenses, €32,662, and Development costs, €5,725).

Intangible fixed assets with finite useful life, identified above, therefore make up the residual value as at December 31, 2020, through the following items:

| Intangible fixed assets with finite useful life (in €) | Dec-31-20 |
|---|---|
| *Customer files* | 2,600,000 |
| Non-compete agreement | 801,846 |
| Software | 2,425,208 |
| Assets under construction - Non-compete agreement | 400,000 |
| Assets under construction – Software | 361,099 |
| *Key money* | 163,094 |
| Other assets under construction | 71,600 |
| Licenses | 32,662 |
| Development costs | 5,725 |
| **TOTAL** | **6,861,234** |

*Source: Amplifon S.p.A.*

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Intangible fixed assets with defined useful life are recorded at cost, systematically amortized over their residual useful life, adjusted, if necessary, to take into account any impairment, resulting from the application of IAS 36 Impairment of Assets.

*Tangible fixed assets* *€18,530,995*

This item mainly includes the residual value as at December 31, 2020 of the following items:

- furniture and furnishings (€7,321,469);
- audiological equipment and devices (€2,566,073);
- IT equipment in the Italian sales network shops and in the warehouse (€1,861,887);
- improvements to third-party assets (the sum of €5,451,205) relating to premises rented by the Italy sales network as at December 31, 2020 comprising 694 points of sale. Annex A contains a detailed list of the shops subject to transfer:

| | Direct | ATG | total |
|---|---|---|---|
| Shop | 81 | 518 | 599 |
| *Mini shop* | | 80 | 80 |
| Addresses | | 15 | 15 |
| **Total** | **81** | **613** | **694** |

*Source: Amplifon S.p.A.*

The item also includes "Other intangible fixed assets" for a sum of €599,692 that breaks down as follows:

| Other tangible fixed assets (in €) | 599,692 |
|---|---|
| *Miscellaneous equipment* | *253,524* |
| *Improvements to third-party assets* | *191,591* |
| *Cash registers* | *66,279* |
| *Soundproof booths* | *58,999* |
| *Vehicles* | *19,733* |
| *Shop equipment* | *9,566* |

*Source: Amplifon S.p.A.*

As far as the item "Vehicles" (€19,733) is concerned, note that it refers to specially-equipped vehicles (campers) for use in Italy for promotional activities. Specifically, it includes 10 vehicles, 9 of which are fully amortized, as illustrated in the table below.

| Vehicles (in €) | Dec-31-20 |
|---|---|
| FIAT DUCATO 2800 JTD License plate CJ365YN | |
| FIAT DUCATO 2800 JTD License plate CJ370YN | |
| FIAT DUCATO 2800 JTD License plate CJ368YN | |
| FIAT DUCATO 2800 JTD License plate CJ367YN | |
| FIAT DUCATO 2800 JTD License plate CJ363YN | |
| FIAT DUCATO 2800 JTD License plate CJ983YN | |
| FIAT DUCATO 2800 JTD License plate CJ769YP | |
| FIAT DUCATO 35 MAXI 295 CGX 6 License plate FJ746PK | 19,733.37 |
| 316-FIAT DUCATO MULT EZ 658 AC EZ658AC | |
| 316 FIAT DUCATO 2.3 ET 944 FG ET944FG | |

*Source: Amplifon S.p.A.*

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Lastly, the item includes Assets under construction and payments on account totaling €730,669.

*Right-of-use assets* *€68,894,992*

This item includes the values of rights of use relating to the rental agreements for the Italian network shops and central Italy warehouse, quantified in conformity with accounting standard IFRS Leases.
Note that the Company adopted standard IFRS 16 in accordance with the "modified retrospective approach" which resulted in the recognition from January 1, 2019, of the rights-of-use assets without restatement of the previous periods.
The item in question should be considered as referring to the related liabilities for undertakings made "Non-current lease liabilities" (€56,257,692) and "current" (€13,072,863).

*Equity investments* *€500*

This item comprises the cost of the equity investment owned in Amplifon Rete. Amplifon Rete is a network of businesses composed of Amplifon, Self-Management Agents (ATG) and Direct Agents, to implement a specific Network Program aimed at pursuing the strategic objectives identified, in the network agreement, completed on June 18, 2019.
The equity investment is recorded at cost, including any ancillary costs, adjusted for any impairment.

*Deferred tax assets* *€3,779,219*

This item includes deferred tax assets derived from temporary differences between the value allocated to the assets and liabilities subject to transfer for accounting and tax purposes. Specifically, the item includes deferred tax assets allocated for contractual liabilities related to revenue and costs for the years 2014 – 2017 which have already contributed to the tax base for the respective years and which were charged to the income statement for the years 2018 – 2021 in accordance with the application of accounting standard IFRS 15 Revenue from Contracts with Customers and deferred taxes on provisions for employee benefits based on accounting standard IAS 19R Employee Benefits.

*Deferred contract cost assets – long term* *€2,495,099*

This item includes the costs incurred for obtaining or fulfilling the contract, capitalized in accordance with the provision of IRFS 15 Revenue from Contracts with Customers and includes the fees and premiums paid to employees and agents for each contract obtained.

*Other non-current assets* *€12,507,016*

This item breaks down as follows:

| Other non-current assets (in €) | Dec-31-20 |
| --- | --- |
| Agents' fees prepaid expenses | 11,834,568 |
| Surety deposit | 672,447 |
| **TOTAL** | **12,507,016** |

*Source: Amplifon S.p.A.*

Agents' fees prepaid expenses are calculated pursuant to international accounting standard IFRS 15 Revenue from Contracts with Customers and refer to the cost of fees relating to deferred income.
Surety deposits can be identified on an accruals basis as follows (values in €):

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| Surety deposits (in €) | 672,447 |
|---|---|
| Points of sale surety deposits | 527,609 |
| Telephone surety deposits | 69,255 |
| Other utilities surety deposits | 29,278 |
| Other rental agreements surety deposits | 26,650 |
| Gas surety deposits | 10,804 |
| Water surety deposits | 8,478 |
| Electricity surety deposits | 373 |

*Source: Amplifon S.p.A.*

## CURRENT ASSETS €80,252,632

*Inventories* *€8,751,608*

The item Inventories includes finished products and accessories intended for sale to end customers in the central Italy warehouse, in the sales network and in transit, the ownership of which, if purchased, is transferred at the time of dispatch. Inventories are valued based on the weighted average cost and are recorded excluding the related warehouse write-down provision. This item breaks down as follows:

| Inventories (in €) | Dec-31-20 |
|---|---|
| Gross value of inventories | 9,256,788 |
| Goods in transit | 2,433,479 |
| Inventories write-down provision | (2,938,659) |
| **Net value of inventories** | **8,751,608** |

*Source: Amplifon S.p.A.*

*Trade receivables* *€36,919,305*

This item includes receivables from private customers, public bodies and retailers resulting from the sale of finished products, accessories and services in Italy. Recorded at their nominal value, they are presented excluding the bad debt provision (amount as at December 31, 2020: 1,343,963 Euros). This also includes receivables for invoices to be issued with regard to the same counterparties.

*Deferred contract cost assets – short term* *€2,128,856*

This item refers to the costs incurred for obtaining or fulfilling contracts, capitalized in accordance with the provisions of IRFS 15 and includes the fees and premiums paid to employees and agents for each contract obtained. They are deferred and repaid to the income statement based on the evaluation of the progress in satisfying the various performance obligations in the agreement over a period of time.

*Other receivables* *€11,470,817*

The following items contribute to the formation of the item "Other receivables" as at December 31, 2020:

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| Other receivables (short-term) (in €) | Dec-31-20 |
|---|---|
| Agents' fees prepaid expenses | 10,181,199 |
| Rental pre-paid expenses | 979,062 |
| Other | 310,556 |
| **TOTAL** | **11,470,817** |

*Source: Amplifon S.p.A.*

This item therefore mainly relates to services that will be rendered in the future for which payment is deferred (mainly after sales services) and relates mainly to self-managers in Italy (sum of 10,181,199 Euros).
Additional deferrals for services (979,062 Euros) and other short-term receivables (310,556 Euros) also contribute to the formation of this item.

*Short-term financial receivables from subsidiaries* *€50,122*

This item is composed of the nominal value of receivables from the subsidiary Amplifon Rete.

*Cash and cash equivalents* *€20,931,924*

This item essentially includes the sums available at credit institutions, relating to the Italy Division.
The following current accounts specifically are the subject of the transfer (Bank and IBAN):

| Bank | IBAN |
|---|---|
| Unicredit | IT12B0200809440000005419613 |
| Banca Nazionale del Lavoro | IT32W0100501621000000000244 |
| IntesaSanPaolo | IT61B0306909567100000001653 |
| Banco BPM | IT81L0503401739000000002043 |
| Monte dei Paschi di Siena | IT02P0103001600000001797596 |
| IFIS | IT64B0320501601000000063869 |

*Source: Amplifon S.p.A.*

## LIABILITIES

### NON-CURRENT LIABILITIES **€103,771,346**

*Lease liabilities* *€56,257,692*

They represent the long-term part of the current value of future payments of the lease agreements of points of sale of the Italy network and central Italy warehouse, calculated in conformity with accounting standard IFRS 16 Leases, in the light of which the right of use recorded in the item "Rights-of-use assets", described previously, was also reported.

*Provision for risks and charges* *€17,375,118*

As at December 31, 2020, this item included the following provisions:

| Provision for risks and charges (in €) | Dec-31-20 |
|---|---|
| Provision for customer supplementary allowance | 12,750,881 |

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| | |
|---|---|
| Contractual risk provision | 3,555,400 |
| Guarantee fund | 1,068,837 |
| **TOTAL** | **17,375,118** |

*Source: Amplifon S.p.A.*

Note the following in this regard:

1. the "Provision for customer supplementary allowance" is quantified based on the actuarial estimates of liabilities relating to the Customer supplementary allowance required by Article 12 II and III of the Collective Bargaining Agreement of February 16, 2009, which governs Commercial Agency and Representation in the Business Sector, with reference to the agents and representatives of the Italy Division (12,750,881 Euros).
2. The "Provision for contractual disputes" is quantified on the basis of the best estimate of the costs related to risks for disputes with employees and agents of the Italy Division, as well as the risks resulting from the provision of services and other contractual obligations in general. The provision has been specifically calculated in accordance with a prudent estimate of the presumed cost (3,555,400 Euros).
3. The "Guarantee and repair fund" is quantified on the basis of an estimate of the anticipated costs related to the risk of repair operations to products sold under guarantee (1,068,837 Euros).

*Liabilities for employees' benefits* *€2,686,111*

The item includes the liabilities for the severance pay (TFR), valued in accordance with the provisions of accounting standard IAS 19 Employee Benefits, relating to the Fund accrued until December 31, 2006 and not yet liquidated, in implementation of Law 296.06, which, for Amplifon S.p.A., involved the compulsory payment of the TFR accrued from January 1, 2007, to a dedicated treasury fund managed by the INPS (Italian National Social Security) or to the Supplementary Pension Fund chosen by the employee. As at December 31, 2020, this involved 419 employees of the Italy Division.

*Deferred contract cost liabilities – long term* *€26,683,609*

This item relates to the deferred revenue for services transferred over a period of time (e.g. after sales services, extended warranties, material rights, batteries) to customers from whom payment has already been received. These liabilities are transferred to the income statement based on the valuation of the progress in satisfying the various performance obligations in the agreement over a period of time. They are represented as a result of the adoption of accounting standard IRFS 15 Revenue from Contracts with Customers.

*Deferred tax liabilities* *€768,816*

This item includes the liabilities for deferred taxes relating to items in the financial statements subject to the transfer of the business unit. Specifically, they include deferred tax liabilities allocated for contractual purchase costs with customers for the years 2014 – 2017 which have already contributed to the tax base for the respective years and which were charged to the income statement for the years 2018 – 2021 in accordance with the application of accounting standard IFRS 15 Revenue from Contracts with Customers and deferred tax liabilities on client lists purchased through the acquisition of Audika Italia in 2015.

**CURRENT LIABILITIES** **€65,086,758**

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*Other third-party liabilities* *€29,180,485*

This item includes payables to employees for salaries and to agents for fees, both with reference to the Italy Division, including any variable remuneration and bonuses with payment deferred in relation to December 31, 2020. It also includes deferred accrued holiday pay and monthly salary payments for employees. The figures also include any payables for social security contributions and other costs related to the above-mentioned items.
The breakdown of the item is given below in more detail:

| **Other payables to third parties (in €)** | **Dec-31-20** |
|---|---|
| Payables to agents | 17,362,169 |
| Payables to employees | 5,390,702 |
| Provision for returns | 2,042,493 |
| Payables to agents for bonuses | 1,834,018 |
| Payables to factoring | 1,781,586 |
| Payments on account from customers | 455,268 |
| Miscellaneous other payables | 314,249 |
| **TOTAL** | **29,180,485** |

*Source: Amplifon S.p.A.*

*Deferred contract cost liabilities – short term* *€22,833,410*

The contractual liabilities relate deferred revenue for services transferred over a period of time (typically, as stated, after sales services) to customers from whom payment has already been received. These liabilities are transferred to the income statement based on the valuation of the progress in satisfying the various performance obligations in the agreement over a period of time. They are recorded as a result of the adoption of accounting standard IRFS 15 Revenue from Contracts with Customers.

*Lease liabilities* *€13,072,863*

They represent the short-term part of the current value of future payments of the lease agreements of shops of the Italy network and central Italy warehouse, calculated in conformity with accounting standard IFRS 16 Leases, in the light of which the right of use recorded in the item "Rights-of-use assets", was also reported.

Net assets subject to transfer stand at €25,000,000 (equal to the difference between total assets (€193,858,104) and total liabilities (€168,858,104).

* * *

In addition to the financial assets/liabilities listed previously, the Italy Division is also composed of the collection of contractual and legal relations relating to the activities carried out by the Italy Division.
In this regard, by way of example, but not exhaustively, note the following contractual relations relating to the Italy Division:

a) IT Area: software contracts relating to shop direct marketing such as Call Center and development systems (CRM), Business Intelligence (BI) reporting tools which allow, for

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example, Area Managers, to share Business KPIs and action plans (Rex Reporting, Evo, Salesforce), developments and software relating to the management of appointments (Intelligent Booking).) Software developments related to business operations such as software for calculating agents fees and expenses management, treasury system developments (InazPro, Piteco, etc.). Investments for HW upgrades and contracts for the maintenance of software pertaining to Italy.

b) Telephone and data network: contracts for landlines and free phone numbers (Tim and Wind) and shop data network.

c) Marketing: contracts related to Italy marketing, Italy communication and creative agencies, local advertising campaigns, loyalty programs and loyalty distribution for Italian customers There are also developments for the data analysis reporting system (Cloud Marketing, BI), direct mailing systems in shop databases (Techrain, etc.).

d) Supply Chain: contracts for warehouse logistics and management (external logistics management), shipping contracts, warehouse maintenance.

e) Medical Area: contracts with communication agencies, editor for the ORLnews portal, gadget providers, agencies for organizing events and conferences, ECM course providers, market research providers, printers.

f) Sales:
   a. Retail Excellence Department: providers of platforms and training courses, mapping of competition points and pharmacies, business community management InOnda;
   b. Real Estate Department: suppliers of furnishings, suppliers and installers of signage, maintenance of elevators/fire extinguishers/air conditioning systems/buildings/plants, suppliers of water bottles, cleaning, waste disposal (shops), administration
   c. Northern, Central and Southern Regions: catering, organization of events and conferences, advertising space, gadgets, flyer distribution agencies and local advertising

* * *

From the joint and coordinated consideration of the financial components (assets and liabilities) and contractual components listed above, relating to the Italy Division in question, as clarified previously, its incontrovertible nature as a "business unit" has been seen in the statutory and tax consolidated financial statements. In this regard, the concept of company and business unit in Article 2555 of the Italian Civil Code states that "*the company is the collection of assets organized by the entrepreneur for running the business*", while Article 2112 of the Italian Civil Code states that "*the transfer of a company* (means*) any operation that, following a contractual transfer or merger, involves a change in the ownership of an organized financial asset, for-profit or non-profit, in existence before the transfer and which keeps its own identity in the transfer regardless of the type of negotiations or the provision based on which the transfer is implemented*". This provision (which also applies "*to the transfer of part of the company, understood as the functionally autonomous application of an organized financial asset, identified as such by the transferor and the transferee at the time of transfer*", which is also referred to by tax legislation, is based on economic-corporate valuations with specific regard to recurrence of the organizational element ("organized" collection of assets and relations) and production element (suitability of the organized collection to produce income): these aspects can be seen in the case in question from a factual analysis of the corporate components and economic-corporate professionalism of the business unit itself.

* * *

Lastly, with specific regard to the lists and individual financial assets/liabilities described above that constitute the Italy Division in question, the writer, prior to the valuation he was commissioned to conduct, carried out an examination (with a positive outcome) intended to check for the presence of each of the following requirements:

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- Accountability: this involves the possibility of only conferring financial assets/liabilities if they have previously been recorded in the accounts of the transferor company at the reference date of the estimate (transferred to the contribution statement of financial position) and the consistency of the individual entries with the reference accounting framework (national and international accounting standards, statutory regulations, tax legislation, special rules, etc.);
- Assessability: this refers to an aspect specifically introduced by the Corporate Law Reform (Legislative Decree 6 of January 17, 2003) where, according to the legal status of the transferee company, it states that "*the provision of works or services cannot form the subject of a transfer*" (S.p.A.) and "*all the elements of the assets capable of financial valuation can be conferred*" (S.r.l.);
- Expropriability: this involves an aspect very closely connected to the guarantee logic that characterizes the transfer operation from a statutory perspective. It is explained in the sense that something that cannot be expropriated cannot be conferred. Taking into consideration that following the conferment the receiving company will issue shares (to an extent equal to the share capital increase, including any premium, approved following the expert contribution value) which for its creditors will have the function of a guarantee for their respective credits, they can only be claimed against the debtor company by expropriating its assets: but the latter are lacking on an expropriation level and the guarantee lapses;
- Pertinence: this involves an additional decisive aspect in terms of the feasibility of the transfer operation from a management and tax perspective. It should be understood in the sense of finding a strict causal and instrumental connection between the individual components of the business unit and the division in its entirety.

### 2.3 The financial results of the business unit subject to transfer

As far as the actual and anticipated financial results of the Italy Division are concerned, in addition to the actual figures the forecast figures for the period 2021-2023 have been made available.
In this regard, note that the forecast results are composed of the 2021-2023 Forecast operating results taken from the 2021-2023 Plan, approved on December 16, 2020 by the Board of Directors of the Company ([2]).

[2]) In this regard, note that the above operating results are consistent with a stand-alone view of the business unit, because they encompass the absorption of any central costs, in accordance with standard criteria and consider the transfer pricing policy adopted by the Group since 2020. For this reason, they were considered more representative, compared with the historical data, in expressing the earning capacity of the business already achieved that is sustainable in the short-/medium-term.

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## — SUBJECT, PURPOSE AND CONTEXT OF ESTIMATION

As explained in the corporate doctrine literature, economic valuations are distinguished by the subject, purpose and context in which they take place(3).
In the case in question, the individual aspects can be identified as follows.

a) The subject of this assessment, as mentioned, is the value of the Italy Business Unit as of the reference date of December 31, 2020. This means that:
   1) the valuation unit is represented by the total value of the business unit that is the valuation subject intended as a unitary investment;
   2) the perspective to be adopted in the valuation is the same as that of a subject who acquires the entire business unit. This aforementioned perspective must consider the assessed business unit as a stand-alone operation, thus disregarding specific synergies achievable by a given buyer through a possible integration, but nevertheless taking into account the value attributable to it by a "market operator" (also defined as "market participant" 4) in an acquisition hypothesis.
b) According to the received Assignment, the valuation's purpose is the expression of an independent opinion having regard to the provisions of Article 2465 of the Italian Civil Code, and therefore aimed at verifying that the subject's contribution value is not lower than that attributed to it for the purposes of the capital increase, including the premium. The purpose of the estimate is to prevent, as a result of an overvaluation of the conferred assets, the artificial increase of the transferee's assets. Therefore, the estimate must be based on principles of prudence. It should be considered, however, that: "*Where the transfer has a pre-existing company as the recipient, the prudential nature of the assessment must be adjusted given the balance between the positions of the parties*" (5), in the sense that the contribution takes place at the price offered by the buyer, a price which must represent an adequate compensation for potential contributors.
c) Finally, the valuation context is defined by the terms and contents of the reorganization operation resolved by the Amplifon Board of Directors on December 16, 2020, previously referred to.

Regarding the value configuration (or "value level") that is the subject of the estimate, note that economic theory and professional practice indicate the existence of various value configurations (of a tangible or intangible asset, of a set of assets, of a company). However, the diverse amounts are generally reconcilable, once the differential elements that distinguish them have been elucidated (6).
There are some general notions that one should recall:

1. an objective value arises from utility conditions that are permanently recognizable by any investor. a subjective value, on the other hand, arises from special conditions, typically attributable to a specific operator's utility sphere;
2. an intrinsic value - or fundamental value, that is the result of the application of economic rationality in the appreciation of the basic conditions that justify it. An empirical value derives from the rational analysis of the actual market environment that is observed, and presumably observable in the future, which at times can only be explained in generic terms;

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3) See: L. GUATRI, V. UCKMAR, "*Linee Guida per le valutazioni economiche. Un contributo alla società italiana e alla giustizia in sede civile, penale e fiscale*"[*Guidelines for economic assessments. A contribution to Italian society and to justice in civil, criminal and fiscal matters*], Egea, Milan, 2009 (hereinafter, also "Guidelines"), pp. 29 et seq. The volume incorporates the work of a Commission and a research group composed of academics and professional experts. The author was an academic member of the Commission.

4) The concept of "market operator" (or "market participant") is defined both within the framework of the international IAS/IFRS accounting standards (see more specifically IFRS 13 Fair Value Measurement, "Definitions"), as well as in the different standards proposed in the international environment (see for all: IVS - International Valuation Standards, "Framework", 2013, § 18-19).

5) See: L. GUATRI, V. UCKMAR, "*Guidelines*", p. 90.

6) See: L. GUATRI, V. UCKMAR, "*Guidelines*", p. 31 et seq.

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3. a price is a given figure, which may have no connection with a value, however configured.

Given these general concepts, in the case in question, the valuation's purpose and context condition the choice of the "value configuration" of reference.
The value configuration is in fact subject to the purpose of this estimate, in accordance with the provisions of Article 2465 of the Italian Civil Code.
From the wording of the Article, one can infer that the reference value configuration is the normal market value of the assets that are the subject of the transfer (in our case, the Italy Business Unit), considered separately from the transferee (i.e., in a stand-alone perspective).

Referring to the general concepts mentioned above, the reference value configuration is therefore an "objective value", determinable as the normal market value.
The market value or "exchange value", according to the doctrine (7), refers to prices arrived at (and feasible in the future) through the meeting of the supply and demand of homogeneous goods dealt with in a sufficiently continuous manner. It presupposes the presence of orderly market conditions and a comparison among independent and adequately informed operators. The liquidity profile of the asset, that is, its ability to be readily realized without suffering deleterious price variations, considerably influences this value. In the absence of the above-mentioned conditions, reference is usually made to analogous or comparative market valuations (e.g., for real estate, unlisted bonds, the same companies subject to relative estimates) based on prices made (and considered feasible) for comparable entities (8).
In the case where a company is the valuation subject, the concept of normal market value is also known in company doctrine as "general" value or economic capital value, understood as the value that, under normal market conditions, can be considered appropriate for a company's capital, disregarding the nature of the parties, their contractual strength, and the specific interests in any negotiations (9). This item of capital value is a well-known concept both in Europe and in the United States.

More specifically, this definition of value is the only one that can be used if an "appropriate", "fair" and reasonable value is to be determined, on the reference date, for the capital of a company.

Thus, the subject of this estimate report can only be the determination of the economic capital of the "Italy Business Unit" in the sense understood by the prevailing doctrine in our country and according to generally accepted principles.
The concept of economic capital therefore corresponds to a measure of the company's capital value, understood as a unitary investment, conducted by seeking to satisfy and combine, in the best way possible, the following characteristics:

- rationality, in the sense that it must derive from a clear and convincing logical process, and as such be widely shared; this means the translation into an evaluative formula that is endowed with such characteristics;
- demonstrability, in the sense that it must be possible to attribute to the factors entering the formula quantities that are supported by controllable data;
- neutrality, in the sense of excluding purely subjective choices and unjustified arbitrariness;
- in some cases, stability, understood in the sense of avoiding continuous value fluctuations linked to contingent facts or changes in perspectives that depend more on opinions than objective scenario changes.

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7 ) See again: L. GUATRI, V. UCKMAR, "*Guidelines*", p. 31 et seq.

8 ) With some specific variations, the above definition is aligned with that widely found in the international literature regarding "*fair value*", "*fair market value*" or simply "*market value*".

9) In this regard, see: Commissione Università Bocconi di Milano, Assirevi, Borsa Valori di Milano CNDC, "Principi e metodi nella valutazione di aziende e partecipazioni societarie" [Principles and methods in the valuation of companies and corporate holdings], Egea, Milan, 1989.

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This definition of economic capital also influences the methodologies that can be used in its determination.
The income method for estimating economic capital value, for example, is only used with reference to expected flows, the achievability of which is easily demonstrable.
In its application, it is therefore necessary to refer to an existing revenue capacity or one that is likely to be achieved in the short term, excluding remote and uncertain expectations and assumptions regarding the evolution of this capacity in the medium to long term.
This distinction makes it possible to contrast a concept of current economic capital value (identified with W) with its potential value (identified with W), linked to objectives whose achievement is only possible.
So-called financial methods, for example, given that they are based on estimates, assumptions and projections that are difficult to prove, generally lead to the quantification of potential values. The same argument can be made for income methods when referring to long-term flow estimates (R projected year by year up to the $n^{th}$ year, with a very high n; R/i with R projected long-term and not at all related to facts, etc.).
It is hardly necessary to point out that there can be substantial differences between economic capital values and potential values.
Regarding the asset-based method, more specifically as highlighted by European, Italian and German doctrine, taken by itself, can never be considered a rational solution to the problem of assessing the value of a company. In fact, it does not take into account the ability of the company to produce income streams to which the economic capital value is inextricably linked.
On the other hand, mixed asset-income methods can only be used in determining the value of economic capital under certain conditions.
As is well-known, the above methods are the synthesis of stock values (assets) and flow values (income) that can only be used provided that the income component is quantified in such a way as to render the inconsistencies and limits implicit in the asset estimate irrelevant.
Asset values, in other words, when determining the value of economic capital, must be considered exclusively as a starting point (we now speak of "asset information"), which must in any case be subjected to an "income verification". The value of economic capital, in fact, is justified in relation to the income capacity of the company with respect to which the asset values are, in some ways, subordinate.
This verification can confirm the values expressed in the asset estimate but can also heavily rectify them, especially when the company demonstrates a higher (or lower) income capacity than the norm, which is intended to last for long periods of time.
Based on these considerations, now acquired both from a theoretical and operational perspective, arises the trend of recent years, both in European countries and in the USA, of the progressive extension of the period of time of the income correction that can consider periods well beyond a decade (20 – 30 years).

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## 1.6 Usable methods

In addition to the general observations mentioned above, the methods which can be used in estimating the value of economic capital also find, in this estimate, the further constraint of the dictates of Article 2465 of the Italian Civil Code
The variety of estimation methodologies (excluding simple rules of thumb), in fact, can be traced back to four fundamental approaches:
- the asset-based approach;
- the result flow-based approach;
- the market-based approach (or similar transactions);
- the approach based on valuation methods considering net assets and revenues/earnings.

<u>The asset-based approach</u>
The asset-based approach is based on the principle of analytical valuation of the individual assets and liabilities that make up the capital.
A fundamental distinguishing element within the family of asset-based methods is the treatment reserved for the valuation of those asset elements that form the so-called "intangible assets" of a company, i.e., the set of intangibles related to marketing and customer relations, technologies, and human resources.
More specifically, the following stand out in the context of the asset-based approach:
- simple asset-based methods, which include only tangible assets in the valuation;
- complex asset-based methods, which involve the specific assessment of intangible assets. Within this category of methods, it is customary to distinguish between the so-called analytical methods, in which the valuation of intangible assets is carried out through analytical estimation criteria, and the so-called empirical methods, in which the valuation of intangible assets is done based on parameters inferred from the negotiating conduct of the operators.

<u>The result flow-based approach</u>
The result flow-based approach presupposes the belief that a company is worth its "fruits", that is, the income that it is able to generate. It therefore asserts the existence of a causal link between a company's income and the company's value.
More specifically, the valuation methods attributable to the result flow-based approach represent the value of the company's capital according to the flow of expected future income it is expected to be able to draw from it. Their operation can be described as a "conversion" of a flow of uncertain income to be gathered along a fixed time horizon into a certain value at which the right to dispose of such flow in the future could be negotiated today.
The valuation methods linked to the approach in question have three distinctive features:
- they focus on the identification of economic result "numbers" that are suitable for sending unambiguous signals regarding the effectiveness of management;
- they are based on the use of discounting/ capitalization procedures, which operate to convert the expected future result flows into capital value;
- they therefore require the determination of appropriate capitalization / discount rates.

The valuation methods linked to this approach most reflect the "rationality" attribute since they comply with the general principles of economic valuations, which establish that the value of any real and financial asset is a function of:
- the size of the expected result flows;
- the distribution over time of expected flows;
- the value of use of the financial means, expressed by the return offered by alternative uses at equal risk.

Two main families of methods belong to the result flow-based approach:

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1. financial methods, which identify in the liquid and withdrawable cash flows the result figure relevant for the purpose of determining the value;
2. income methods, which identify in the income the result figure relevant for the purpose of determining the value;

The market-based approach

The market-based approach considers the value of the company's capital as a function of prices, expressed by regulated markets or in private trading, for shares of the same company or of similar or comparable companies. It requires the development of value indicators, so-called multiples, obtained by relating the actual price of the capital of the chosen reference companies (so-called guideline companies) to the value of certain company quantities, and is based on the hypothesis that these relationships are also applicable to the company being valued.
Two main methods belong to the market-based approach:

- the Stock Market Multiples method;
- The Deal Multiples method (similar or comparable transactions method).

The approach based on valuation methods taking into account net assets and revenues/earnings
The approach based on valuation methods considering net assets and revenues/earnings estimates a company's value as the sum of the two elementary components, and thus respectively:

- the overall value of the company's assets, the result of the asset estimate;
- and the value "created" (or destroyed), understood as positive (Goodwill) or negative (Badwill), equal to the present value of the flow of extra-income (lesser-income) that the company being valued is able to draw from the use of the managed assets.

The approach based on valuation methods considering net assets and revenues/earnings, therefore, refers to a concept that is widely developed in economic theory, according to which the capital of a company must be valued as a function of both the allocation of tangible and intangible assets, and the management's ability to draw higher than "normal" remuneration rates from them.

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### 1.7 Methodological notes: a) Valuation methods taking into account net assets and revenues/earnings; the "classic" version

The valuation method considering net assets and revenues/earnings has long been regarded as a typically European method of determining economic capital; it was usually referred to as the UEC method, to recall the formulation and recommendation expressed since 1961 in a work *Union Européenne des Experts Comptables Economiques et Financiers*.
This identification, however, does not appear entirely correct; conceptually similar methodologies were also known in the USA since the 1920s ([10]), and in Japan as well.
In the Italian experience, the professional world and a large part of the academic one have long considered the method in question among the most usefully applicable and rational ([11]).
In the United States, over the years, the dissemination and rediscovery of valuation methods based on the concept of "economic profit" (such as *Economic Value Added*, EVA™), also identified as a financial version of the valuation methods taking into account net assets and revenues/earnings, have brought the use of the method up to date.

* * *

At the base of the valuation method considering net assets and revenues/earnings is the idea that, in the estimation of the value of economic capital, only as the company's profitability grows is it possible, subsequently, to consider:
- capital gains, hence *K*;
- intangible assets (BI), hence *K'*; and finally
- Goodwill

The concept is best expressed by Graph 1) ([12]).

[10]) It turns out that a conceptually similar method, called Excess Earning Method, has been presented since 1920 by the US Treasury Department. See FISHMAN AND OTHERS, *Guide to Business Valuation* (Forth Worth, 1992), p. 720.

[11]) On the applicability to the Italian situation, see: J. VIEL, O. BREDT, M. RENARD, "*La valutazione delle aziende*", New Italian Edition edited by Paolo M. Iovenitti, EtasLibri Milano, 1991.

[12]) See L. GUATRI, *Trattato sulla valutazione delle aziende*, Egea, Milano,1998, p. 243.

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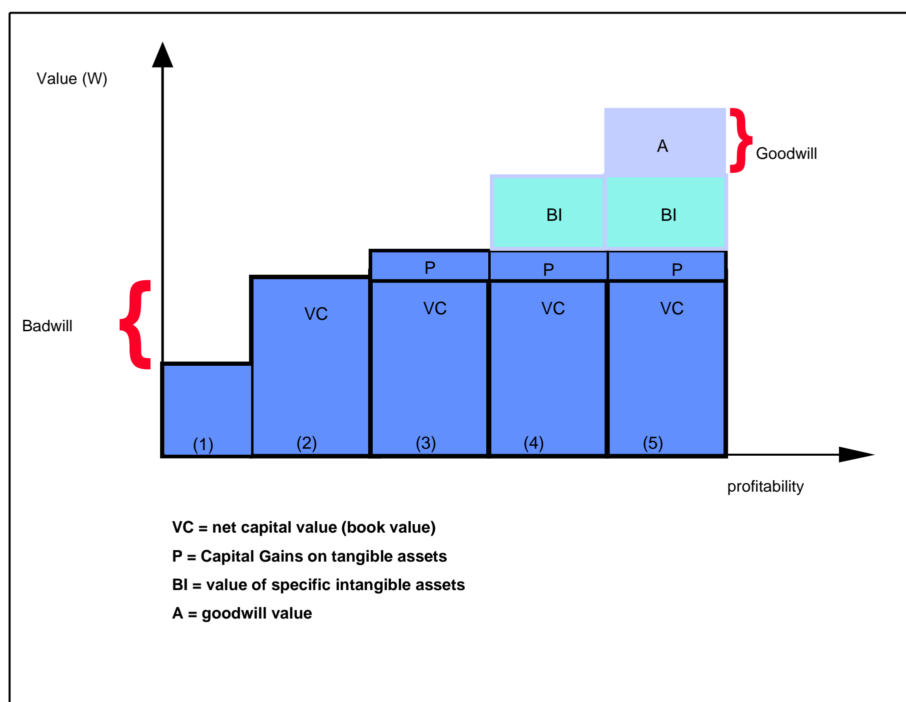
**Graph 1**




Source: L. Guatri, *Trattato sulla valutazione delle aziende*, 1998, p. 243.

In situations of low profitability, capital gains and Intangibles (P, BI) are not included in the value (situation 2), which is limited to pure net book value (C) or is reduced below this amount in a measure corresponding to Badwill (situation 1).
As profitability increases, however, it is gradually possible to attribute an independent value to capital gains (situation 3), intangible assets (situation 4) and goodwill (situation 5).

* * *

In the classic version, the valuation method considering net assets and revenues/earning with an independent estimate of the Goodwill is expressed by the following formula:

$$W = K + a_{n \neg i'} \cdot (R - i''K)$$

where:
W = The value of the economic capital;
K = Adjusted net equity (which may be replaced, in certain categories of companies and in certain situations, by the net equity inclusive of the values attributed to intangible assets, i.e., by the value K') [13];
R = Anticipated normal average net income expected in the future;
n = Defined and limited number of years;
i'' = "Normal" interest rate relative to the type of investment considered;
i' = Discount rate of profit or excess income.

[13]) In such case, the formula becomes:

$$W_M = K' + a_{n \neg} i' \cdot (R - i''K')$$

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Let's see how the considered parameters are defined.

I) <u>The value of adjusted net equity</u> (*K* or *K'*) is the result of the asset estimate, i.e., the expert's estimate of the real value of the company's net equity, obtained by replacing the accounting data of the various assets and liabilities with the current values, with a view to the normal continuation of the business.
In the case of applying the simple asset-based method, which does not include the value of intangible assets, the formula is as follows:

$$K = P.N. + (P_1 + P_2 + \ldots\ldots - M_1 - M_2 - \ldots.) \times (1 - t)$$

where:
P.N. = net book assets at the reference date (including profit for the period and net of any dividends);
$P_i$ = capital gains on asset i-th;
$M_i$ = capital loss on value i-th;
t = tax rate % of potential tax charges. ([14])

In the event of applying the complex asset-based method, which includes the value of intangible assets, the formula becomes:

$$K' = K + BI$$

where BI indicates the value attributed to intangible assets.

II) <u>The anticipated normal average net income expected</u> in the future is an income figure reflecting the average normal income capacity of the company. It is determined by a process of standardizing historical results and is projected, according to various techniques, into the future.
Standardization of historical results means a technical processing comprising:
a) the redistribution over time of extraordinary income and costs;
b) the elimination of income and costs "unrelated to management";
c) the neutralization of budgetary policies deemed to be distortive with regard to the purpose (including fiscal policies).
To move from normalized historical results to a figure of future income capacity, different methods are possible:
a) the projection of historical results method;
b) the planned results method (based on formalized documents such as budgets and multi-annual plans);
c) the expected growth method (usable in estimates of the value of potential capital);
d) the innovative options method (usable in estimates of the value of potential capital).
The choice of the most appropriate method depends on the assumptions made about the future development of the company and the type of value to be determined (economic or potential capital).

III) <u>Consistency between *K* (or *K'*) and *R*</u>.
An essential point to be noted concerns the necessary consistency between the *K* and *R* values assumed in the calculations. This rule basically applies to the depreciation process: the higher values attributed, in the quantitative definition of *K*, to technical fixed assets are reflected in the calculation of adequate depreciation.
If values for intangible assets (*K'*) have been entered in the assets, they must also be subject to amortization, *if and to the extent they diminish over time*. In fact:
- in some cases these assets not only do not lose value, but increase in value over time;

[14]) In the event of a transfer, taxation is only relevant for the transferring entity.

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- in other cases, the companies concerned carry out continuous investments to maintain those assets, and thus the amortization process may be omitted.

IV) The size of *n*.

The size of *n* corresponds to the expected duration of the phenomena of greater (lesser) profitability than the sector average, which is assumed to be destined to be exhausted with the restoration of results that are in line with the norm. In the original approach of the valuation method considering net assets and revenues/earning with an independent estimate of Goodwill, *n* was prudentially estimated between 3 and 5 years.
Over the last decade, with the increasing importance attributed to the income component, for companies with a high and stable normal average profitability, the values of *n* can be well above five years (and even go up to 20-30 years).
A similar discourse can be made for companies that exhibit sub yields with regard to income (Badwill). In the calculation of Badwill, in fact, the practice once assumed durations between 3 and 5 years, as the older rules used for Goodwill. This reference was explained with two sets of considerations.
On the one hand, there is the inevitable, limited breadth of the economic horizon, i.e., the time within which it would have been possible to make estimates in terms of operating results. Over longer periods the forecast would have become extremely uncertain. On the other hand, there is the impossibility of accepting the assumption of continuing losses beyond a certain number of years. The duration of the losses, or the insufficient profitability, would necessarily have led to drastic restructuring or even the liquidation or cessation of the company's activity.
In recent years, however, these positions have been more and more queried. In fact, the belief was affirmed that, even in the case of sub yields with regard to income, there is conceptually no reason to limit the value of n. On the contrary, the opposite is true: the estimate of losses must be pushed to the maximum, at least as long as there are good reasons to fear that they will continue to manifest themselves.

V) The value of *i"*.

The normal interest rate *i"*, applied to the adjusted net equity (*K* or *K'*), expresses a measure of return deemed satisfactory, within the limits of the norm, considering the degree of risk encountered by the company.

VI) The value of *i'*.

In this regard, there are four possible formulations:

a) rate *i'* is the discount rate that includes the risk for the specific company;
b) according to the classic UEC approach, this is a particularly high rate, since it has to discount the special risk of cessation of excess income, as if this condition were contingent and tended to disappear;
c) rate *i'* understood as the pure financial compensation for the passage of time. It is therefore a means of transferring values from time $t_n$, to the initial time $t_0$,: as such it is independent of company-specific risk problems and is linked to "risk-free" financial parameters (for example, to the rate of return on government bonds for corresponding durations): it is therefore a particularly low rate;
d) the rate *i'*, with regard to the previous solution, must at least be augmented by the "increase for equity investment" component.

The most frequently chosen solution is often balanced between c) and d). With regard to solution d), it is not entirely possible to rule out the possibility that company risks are included twice in the calculation: i.e., both in i" and in i'.

In the case of a Badwill situation, also for prudential purposes, the generally shared choice, to avoid unjustified over-valuations, is to use an i' rate, understood as the pure financial compensation for the passage of time (risk-free rate).

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### 1.8 Methodological notes (Continued): The income method

The income method is based on the idea that the capital value of a company is a function of the expected measure of the income that it is able to generate and its capitalization on the basis of rates that express its risk and uncertainty.
The method is applied differently depending on how prospective income flows are defined.

The pure income method, more specifically, can be effectively used in estimating the value of economic capital when a company has a profitability trend that is adequately defined and stabilized.
In such a case, the economic capital value may be estimated by means of a perpetual capitalization of the anticipated normal average income.
The formula is as follows:

$$W = \frac{R}{i''}$$

where:
R = Anticipated normal average net income;
i”= Capitalization rate, equal to the return offered by alternative investments at equal risk.

Alternatively, to estimate the economic capital in situations where there a reliable system of planning and control is available and the expected results are considered to be achievable in the short to medium term, one can use the method of capitalization of the planned results (year to year), on a limited time horizon (the so-called “explicit period”).
Thus arises the problem of the so-called “terminal value” to be added to the result of the capitalization of income made only for a limited period of time: this responds to the need to overcome the assumption of the company’s termination at the end of the period chosen for the capitalization of its income.
In this case, the assumption is usually made regarding the expected capitalization of income growth, constant or zero, after the analytical forecast period.
The valuation formula is as follows:

$$W = \sum_{s=1}^{n} \frac{Rs}{(1+i'')^{s}} + \frac{Vf}{(1+i'')^{n}}$$

where:
W = The value of the economic capital;
Rs = Expected income for period s;
i” = Discount rate;
n = Number of years of the explicit forecast period;
Vf = Final value. This latter is determined as:

$$Vf = \frac{Rn(1+g)}{(i''-g)}$$

g = Medium-long-term growth rate

Regarding the capitalization rate (i”), it is usually determined as an expression of a return offered by alternative investments at equal risk.

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More specifically, it can be broken down into two components:
- compensation for the passage of time (financial component);
- risk compensation (specific component).

This principle is translated into the well-known expression:

i" = r + s

where:
r = financial remuneration of "risk-free" investments, i.e., linked to the passage of time;
s = remuneration for the specific investment risk.

Regarding the determination of the two components, the calculation of r does not present particular difficulties. Long-term government bond yields are usually referred to, as they are more homogeneous than company investments.
A methodological issue is whether the "risk-free rate" should be expressed net of or before inflation.
The logical answer is that "r" should be homogeneous with respect to the income to be capitalized under this profile, and thus that it should contain a measure of inflation corresponding to that of the income flow that it is being used to discount (nominal flows = r nominal; real flows = r real).
Regarding the determination of the s component, it should be noted that there are three different approaches that can be used:

a) the quantitative approach (generally based on the model known in finance theory as the "Capital Asset Pricing Model", CAPM);
b) the qualitative approach, which is based on the collection of a series of information items deemed to be relevant, and in their orderly presentation, synthesis and interpretation for the purposes of risk profile assessment;
c) the intuitive or imitative approach (synthetic-subjective); widely used in practice, is based on an expert's knowledge and sensitivity, who identifies, among various investment alternatives with known value, those judged equivalent in terms of risk.

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## 1.9 Methodological notes (Continued). The market multiples method for valuing companies: general concepts

The basis of the market multiples method is the assumption that the reasonably obtainable price for an unlisted company can be derived from observable prices in an active market, where capital shares of companies that are comparable to the one being valued (the so-called "target" company) are traded. The technique used in the application of the comparable companies' method can be as described below.
Initially it identifies a "sample" of companies whose price is known and observable (Vi), that are considered comparable to the one being valued.
Then a variable (Xi) is assumed to be a value driver, i.e., closely related to the value of the companies included in the sample.
The "multiple", given by the Vi/Xi ratio, is constructed for the companies in the sample considered, as well as a "summary value" of the multiple.
In this regard, the alternatives are as follows:

- the calculation of the average and the median value of the multiple of the sample considered; this choice is acceptable for sectors in which companies adopt substantially uniform business models and how much it is assumed that the target company has an "average position" in the ranking of comparable companies, both in terms of growth potential as well as in its ability to perform economically and financially;
- segmentation of the sample by homogeneous subgroups; in order to increase comparability with the company being valued. Segmentation should take place using objective criteria (size, international presence, ownership of prominent brands or technologies, leadership or follower position, etc.). The value of the multiples is calculated based on the average of the multiples belonging to the segment considered most comparable with the target company;
- processes based on extrapolation; sometimes the analysis by multiples of the sample allows for the identification of important relationships among values assumed by the indices and specific value drivers. More specifically, if the results obtained from the application of the previous methods are unsatisfactory, analysts often resort to using interpolation or extrapolation techniques on the values of the observable multiples within the sample. The technique most often used is that of "linear regression".

Once the summary value is determined for the sample considered, for the target company to be valued, for which the value of the reference variable (Xt) is also known, the same relationship obtained for the sample of comparable companies is assumed to be valid:

$$\frac{\bar{V}}{\bar{X}} = \bar{m} = \frac{V_t}{X_t}$$

The sought after value (Vt) is then obtainable as:

$$V_t = \bar{m} \,. X_t$$

* * *

The most critical aspect in the application of the market multiples method certainly concerns the selection of the sample of comparable companies.
In fact, in the choice of the sample of comparable companies, given the fact that two companies can never be "identical", comparability must be defined with a certain degree of approximation; it being clear, however, that the more stringent the rules of homogeneity applied, the narrower the obtainable sample will be.
In the selection of the sample, therefore, the degree of "comparability" must be assessed by taking into account various factors, including:

- membership in the same sector;

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- size;
- financial risks;
- the actual homogeneity of the results assumed based on the multiples;
- governance;
- transparency;
- the life stage of the company;
- business models; etc.

* * *

Given the general aspects outlined above, the application of the market multiples method provides some choices regarding:
1) the "active market" of reference;
2) the definition of the variables included in the determination of the multiples.

1) <u>The "active market" of reference</u>

The market "multiples" method can be based on two distinct approaches:
a) the stock market multiples approach;
b) the deal multiples approach (involving comparable transactions).

The main distinction between the two approaches relates to the "active market" of reference, in which the prices of the companies that are comparable to the one being valued are observed.
In the first case, prices are derived from the stock market and comparable companies are identified in a sample of listed companies.
In the second case, instead, prices are derived from a set of significant transactions of (often controlling) capital shares of comparable companies.
The two categories of multiples tend to provide different indications of value: normally stock market multiples provide information on the stand-alone value of a company; deal multiples tend to provide information on the level of "probable market prices" for specific shares of a company's capital. More specifically, in the event of a transfer of control, they will tend to express a price which includes a so-called "control premium", rarely expressed in market prices (this is only the case in special circumstances, such as hostile take-overs, transfer of control, etc.).
The deal multiples are influenced, in addition to the stand-alone value of a company in question, both by "market factors", such as the degree of competition among willing buyers and the acquisition values estimated by each of them, as well as by "factors related to the transaction", such as the percentage of the share capital acquired, the method of payment (cash or shares), the contractual terms regarding the warranties provided by the seller, the presence of mechanisms that bind part of the price to future results (earn-out), and the presence of surplus assets that can enable the purchaser to carry out leveraged transactions.
The analysis of deal multiples requires the collection and interpretation of a certain amount of transaction-related information, which can influence the magnitude of the price paid and thus the value of the multiples themselves.

*2) <u>The definition of the variables included in the determination of the multiples.</u>*

Based on the variables included in the determination of the multiples, it is possible to distinguish between:
a) financial multiples; and
b) business multiples.

In the first case, multiples are intended to identify the existing relationships between the market price of the capital of companies and certain relevant economic quantities: for example, net profit, cash flow, operating income, EBITDA (gross operating margin), turnover, etc.
In the second, the market price of companies' capital is related to specific elements that, within the business model that characterizes the sector, seem to take on special relevance as value drivers.
The following table shows the business multiples that are usually used in specific sectors.

| EXAMPLES OF BUSINESS MULTIPLES |
|---|
| **Utilities**<br><br>Gas distribution<br>• Value per user<br>Electricity generation<br>• Value per installed megawatt |
| **Publishing (newspapers)**<br>• Value per copy sold<br>• Value per copy printed |
| **Internet (portals)**<br>• Value per number of daily accesses |
| **Rental companies (e.g., car rentals)**<br>• Value per number of available rentals (no. of available cars) |
| **Public establishments**<br><br>• Value per turnover/$m^2$ |
| **Airport space management**<br><br>• Value per passenger |
| **Managed savings**<br><br>• Value per promoter |
| **Paper and cement**<br><br>• Value per ton of installed capacity |
| **Oil (upstream)**<br>• Value per *barrels of oil equivalent* |

* * *

Given this fundamental distinction, it is also possible to distinguish between equity side and asset side multipliers.
The discriminating factor of these two groups of multiples concerns the value given to the numerator of the multiplier:

1) in the first case (equity side or "capital multiples") the numerator is defined as the share price or stock market capitalization, i.e., the current value of the capital;
2) in the second case (asset side or "asset multiples") the numerator is defined as an investment in gross assets (Enterprise Value, EV), usually determined as the sum of the capitalization (or price paid for capital) and net financial debt (in simplified terms therefore: EV = capital value + financial debt – liquidity).

The distinction between equity and asset side multiples influences the definition of the variables used in the denominator of the multiples.
Such quantities may have, as mentioned, an accounting or operational nature.
Where these variables are quantified on the basis of accounting performance indicators, those indicators shall be compatible with the quantity used in the numerator.
If the latter is defined as "equity value", accounting performance measures that remunerate only equity must be used at the denominator. On the other hand, if the numerator is defined as "asset value", only accounting performance measures generating and remunerating the investment in total assets should be considered at the denominator.
The distinction between equity side and asset side multiples is outlined in the following table.

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| EQUITY SIDE MULTIPLES | ASSET SIDE MULTIPLES |
|---|---|
| **Numerator**<br>Price or stock market capitalization (P) | **Numerator**<br>Enterprise Value (EV) |
| **Denominator:**<br>• Earnings (E, Net Profit)<br>• Cash Earning (CE, net profit + depreciation/amortization)<br>• Equity Free Cash Flow (EFCF, Net profit + depreciation and amortization – fixed capital maintenance investments)<br>• Sales (S, Turnover)<br>• Book Value (BV, accounting Net equity)<br>• Net Asset Value (NAV, assets expressed at replacement values)<br>• Dividends (Div, dividends) | **Denominator**<br>• EBIT (operating income)<br>• NOPAT (operating income net of tax, EBIT x (1-t))<br>• EBITDA (gross operating margin)<br>• Unlevered Free Cash Flow, (UFCF (EBITDA - fixed capital maintenance investments))<br>• Sales (S, Turnover)<br>• Invested Capital (IC, net operating assets) |

It should be noted that the use of equity side multiples makes it possible to directly arrive at the estimate of the "value" of the equity capital; the use of asset side multiples, instead, makes it possible to directly estimate the value of the operating capital (Enterprise Value). The value of equity capital may subsequently be determined as the difference between the Enterprise Value and the market value of net financial debt.

* * *

One last aspect that deserves to be highlighted relates to the formation period of the result flows used in the calculation of multiples.
Generally the following classification is adopted:

a) "current" multiples, obtained by comparing stock market prices with the results of the last available financial statements;
b) "trailing" multiples, obtained by comparing the stock market prices with the results for the twelve months preceding the reference date assumed for the purpose of calculating the indices;
c) "leading" multiples, obtained by comparing stock market prices with the expected results for the next financial year or for subsequent ones. These are generally consensus/forecasts by financial analyst associations. In Europe, the most accredited sources are IBES (International Brokers Estimate Service) and "Factset", "Bloomberg" or "Datastream".

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### 1.10 Classification of the transfer transaction from a valuation point of view

As previously clarified, this report is prepared pursuant to and for the effects of Article 2465 of the Italian Civil Code which provides as follows:
"*Whoever transfers assets in kind or credits must submit the sworn report of a statutory auditor or a statutory audit firm registered in the appropriate register. The report, which must contain a description of the transferred assets or credits, an indication of the valuation criteria adopted and a statement that their value is at least equal to that attributed to them for the purpose of determining the share capital and any premium, must be attached to the certificate of incorporation.*
*The provision of the previous paragraph applies in the case of purchase by the company, for a consideration equal to or greater than one tenth of the share capital, of assets or credits of the founding shareholders, shareholders and directors, within two years from the registration of the company in the register of companies. In this case, the purchase, unless otherwise provided in the certificate of incorporation, must be authorized by the decision of the shareholders in accordance with Article 2479.*
*In the cases provided for in the preceding paragraphs, the second paragraph of Article* 2343 *and the fourth and fifth paragraphs of Article 2343 bis" shall apply.*

The specific purpose of the expert report, explicitly addressed by law to a hypothesis of transfer *ex* Article 2465 of the Italian Civil Code, therefore is to identify a "minimum" market value of the assets or credits transferred, to guarantee the integrity of the corporate assets of the transferee company.

Regarding the specific subject of the transfer (and, therefore, of the related valuation) it is noted that, although the aforementioned legislation refers literally to the transfer of "assets in kind", it is generally accepted and settled that companies or business units may also be the subject of a transfer/valuation.
When a company/business unit within the transferring company is constituted by a close coordination of the structural and functional components, or when it is based on divisional organizational models, it is attributable to a coordinated complex of assets, tangible and intangible, with the aim of producing an economic result, as required by Article 2555 of the Italian Civil Code.
It follows that a company/business unit, not only can be the subject of transfer from one company to another, but its valuation does not deviate from the principles that govern the estimates of corporate value as a whole.

Regarding the valuation method to be adopted for estimating the transfer value of the business unit in question, it must, first, comply with the generally accepted principles and criteria for the valuation of assets that are the subject of the transfer and that company doctrine and professional practice agree in holding that the choice of the valuation criterion is closely linked to the purpose of the valuation.
In the specific case of the transfer, it is noted that this corporate transaction constitutes a supervised transaction from a regulatory perspective, especially in its valuation aspects, as well as disclosure and control aspects. The particular caution taken by the Legislature in regulating the transfer transaction in terms of a valuation profile is derived from the set of rights it intends to protect: more specifically, it concerns the interests of the corporate creditors of the transferee company and the future purchasers of its shares so that the transfer in kind is not valued for an amount greater than that of its actual value.
In relation to the protection of such rights, the freedom of choice of the valuation criterion of the appointed expert is limited, resulting from the need to avoid valuations that are too high (quantitative aspect) and arbitrary and summary valuations (subjective aspect): the shareholders of the transferee company and the subjects which have economic relations with it must be able to rely with certainty on the established size of its corporate assets which perform a guarantee function with regard to them.
To satisfy the quantitative aspect (risk of excessive valuations of the transferred asset) and the subjective aspect (risk of arbitrariness in the estimate), as mentioned above, the valuation criterion generally indicated by professional practice and by the more common company doctrine ([15]) to determine the value of the transfer is the "asset-based analysis criterion". Based on this methodological

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15) See: L. GUATRI, "Trattato sulla valutazione delle aziende", Egea, Milan, 1998, p. 363

solution, it is possible to literally comply with the regulatory provisions and limit the risks of subjective over-valuations.
In addition, in the specific case of valuations for transfers relating to a business unit – as in the present case -, the use of the "criterion of taking into account net assets and revenues/earnings" allows the transferee company to possibly receive and account for in its financial statements (at the appraised value) the individual assets and liabilities which form the transferred business unit and to highlight, in an independent manner, the goodwill value of the business unit that is the subject of the transfer.
In this manner, satisfying the legislative requirements in the best possible way ([16]).
This choice is, however, always confirmed in the most well-founded corporate doctrine ([17]) which maintains that transfer valuations must provide, in addition to the asset estimate (illustrated above), also an "income verification" of the result of the same.
This is fully consistent with the aforesaid requirements of the Legislature in the transfer matter, considering that the subjects protected in the transaction - under the valuation profile - are the creditors of the transferee company, i.e., of the company that receives the transfer at the appraised value, which, in relation to the transfer received and to the extent of the value attributed to it, increases its share capital accordingly (supplemented by any share premium), thus safeguarding the guaranteed claims of the creditors).

* * *

The transfer transaction in question, as previously mentioned, will involve the transfer of the Italy Business Unit into a newly formed company ("Amplifon Italia S.r.l."), wholly owned by the Company.
The transaction is part of a corporate reorganization project of the Amplifon Group aimed at:

(i) achieving greater consistency and flexibility in Amplifon's organizational structure, given the multinational nature of the group to which the Company belongs (the "Group");
(ii) ensuring a better understanding of individual business areas by guaranteeing governance that increasingly meets the needs of efficient and effective management of those areas; and
(iii) increasing the level of accountability of management engaged in the various functional areas.

The project will be implemented through the transfer in kind of the Italy Business Unit, currently headed by Amplifon, to the recently established limited liability company Amplifon Italia S.r.l. ("Amplifon Italia"), the share capital of which is wholly owned by the Company, with the full payment of a capital increase, with a share premium, divisible, to be resolved by the latter (the "Amplifon Italia capital increase"). The same shareholders' meeting that will resolve upon the Amplifon Italia capital increase will also resolve to transform Amplifon Italia into a joint stock company, effective in conjunction with the effectiveness of the transfer of the Italy Business Unit. The effective date of the capital increase and transformation shall be deferred to the first day of the month following the signing of the transfer act.

The transfer transaction of the Italy Business Unit to "Amplifon Italia" provides that the latter will resolve on a capital increase, with the issue of shares that will be fully subscribed by Amplifon, the transferring company, and paid for through the transfer of the business unit.
The capital increase to the service the transfer, as communicated to us, was expected to be charged to share capital for €90,000.00 (read ninety thousand euro) and to the share premium reserve for €24,910,000.00 (read twenty-four million nine hundred and ten thousand euro).

Therefore Amplifon, following the transfer of the business unit, will remain sole shareholder in the transferee company.

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16) It should be noted that, according to what has been communicated by the Amplifon management, as previously proposed, the transfer transaction of the Italy Business Unit will take place in continuity of existing accounting and tax values.

17) See: L. GUATRI, "Nuovo trattato sulla valutazione delle aziende", Università Bocconi Editore, 2005, p. 767 et seq.

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The transfer transaction will be implemented, from an accounting point of view, without the re-expression to current values of the assets and liabilities constituting the business unit, headed by the transferee company, and therefore in continuity of existing accounting and tax values, pursuant to and for the effects of Article 176 of the Italian Consolidated Income Tax Act (TUIR) (Presidential Decree No. 917 of December 22, 1986).
This accounting method does not involve, for the transferee company, the "redetermination" of the book values of the assets and liabilities that are the subject of the transfer and the highlighting of any positive difference between the economic value of the company and the accounting net equity and also, on the basis of what is provided in Article 176 of the Italian Consolidated Income Tax Act (TUIR), it does not entail any taxation for the transferring company.

This latter circumstance is relevant for the purpose of estimating the economic capital value of the transferred business unit, the subject of this report, in the aspects relating to the so-called "latent tax liability"; this is taken into account within the terms and with the effects indicated below.

### 1.11 The method choices adopted in the valuation: summary

The final method choices adopted in this Report, in the light of the purposes of the estimate, the specificity of the company and the sector in which it operates, as well as the methodological options described above, can thus be summarized as follows.

1. In view of the purposes of the estimate, the typical nature of the business unit that is being valued, and the type of data available, current and prospective, it was considered appropriate to refer, as the main method, to the valuation method taking into account net assets and revenues/earnings.
2. The valuation method considering net assets and revenues/earnings, in this version, makes it possible to clearly highlight:
   a. the value attributable to the assets that are subject to transfer;
   b. The value attributable to Goodwill, understood as the result of the income verification of the aforementioned asset value.

   This division of the unitary value of the business unit makes it possible to better meet the statutory provisions that govern the estimates for the purpose of transferring individual assets and companies.
   More specifically, in this case, the specific methodological choices were as follows.
3. In the application of the valuation method considering net assets and revenues/earnings, the value of adjusted equity (K) was estimated, not including the value of intangible assets, which are the subject of an independent determination in the unitary value of goodwill.
4. The net equity value thus obtained was subjected to an income verification. Therefore, the "goodwill" was directly estimated, considering, given the structure and dynamics of the sectors in which the Italy Business Unit operates, as well as the positioning and competitive prospects of the company, for a duration of over-performance prudentially equal to 25 (twenty-five) years. This time horizon is certainly justified considering the fact that contributing to the formation of the value of goodwill are also the intangible assets of the Italy Business Unit (mainly comprised of: sales and distribution organization; a current customer list; market positioning and reputation of the trade mark used in the distribution of the products). The latent surplus value of this intangible portfolio, which in this case is not assessed independently but under the generic "goodwill" value, justifies a duration of over-performance of the resources used, material and financial, for a long period, if not unlimited.
5. In other words, the earning capacity of the business unit is largely justified by its portfolio of intangible assets, which contribute, in addition to the distinctive capabilities of the organization of a commercial nature, to the reputation of the brand used and the structure of the distribution

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network. These assets were and are able to maintain and increase over time the existing customer portfolio. In the light of these considerations, the choice of an over-performance duration of 25 (twenty-five) years certainly appears reasonable and adequately conservative and prudential, consistent with the purposes of the estimate.

* * *

In summary, the valuation method adopted is as follows:

$$W = K + \sum_{s=1}^{N} \frac{(R - ie\ x\ K)}{(1 + ie)^s}$$

where:

W = Value of the economic capital;
K = Adjusted Net equity, at the reference date of the estimate (excluding intangible assets);
R = Anticipated normal average net income, assumed constant in nominal terms and equal to the average of the net income for the period 2021-2023, as can be deduced on the basis of the 2021-2023 Plan of the Italy Business Unit;
ie = Cost of own capital;
n = Defined number of years (25 years).

* * *

In view of the type and activity carried out by the company being valued, as well as the considerations previously made, it was considered appropriate to use the income method as a control method, for consistency with the main method, in the “levered” version.
More specifically, the method was applied considering the anticipated normal average net income, assumed constant and equal to the average of the net income for the period 2021-2023, as can be deduced on the basis of the 2021-2023 Plan of the Italy Business Unit. The formula is as follows:

$$W = \frac{R}{ie}$$

where:

W = Value of the economic capital;
R = Anticipated normal average income, assumed constant and equal to the average of the net income for the period 2021-2023, as can be deduced on the basis of the 2021-2023 Plan of the Italy Business Unit;
ie = Cost of own capital;

* * *

In view of the type of company being valued and the purpose of the estimation, it was considered appropriate to compare the results obtained from the application of the main method also with the results obtainable under the “multiplier method” (second control method).
This method enables significant information to be obtained on the “probable market price” of the company being valued at the reference date of the estimate.
More specifically, the results obtained from the application of the valuation method considering net assets and revenues/earnings were compared with the results derived from:

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a) multipliers derived from comparable listed companies (Stock Market);
b) multipliers of transactions of capital shares of comparable companies (Deal Multiples).

The method of using multipliers derived from "comparable listed companies" (Stock Market Multiples) is often used in determining the likely "market value" of unlisted companies.
It is therefore able to provide an indication of the market value achievable from a listing on a regulated market of the business unit being valued. On the other hand, the results obtained from the method's application express probable prices for a company's minority shares, which do not include the "premium" resulting from the company's control (so-called "control premium").
Regarding the method's application in the present case, the following is specified:

1) the method of using multipliers derived from "comparable listed companies" was applied by reference to multiples expressed by the stock market for a sample of companies operating in the same sector as the company being valued, available in the *Factset* database. More specifically, reference was made to a sample of European companies classified by the data provider in the "*Medical specialties*" sector (code: FI2325R3 "*Europe/Medical Specialties*");
2) it was decided to make the main reference, given the financial structure of the business unit being valued (not indebted), to the unlevered multiples, "EV/Sales" and "EV/EBITDA", widely used and considered significant for companies operating in the same sector as the company in question. The choice to use asset side multiples is further justified by the need to arrive at a valuation that does not depend on the specific financial structure of the comparable companies included in the sample considered;
3) the results for leading multipliers, for the years 2021 (FY1) and 2022 (FY2), available in *Factset*, were considered at the reference date;
4) for valuation purposes, the "average" and "median" summary data were considered to be relevant;
5) for the business unit, the forecast data derived from the 2021-2023 Plan delivered to us were considered.

For completeness, results derived from "comparable transactions" - Deal Multiples - were considered. The results deriving from the method's application provide information on a possible price obtainable in acquisition transactions.
Multipliers are often used in calculating the probable "sale price" of non-listed companies. They are therefore capable of providing an important indication of the market value that can be realized from the sale of equity investments in the company considered and typically include an "purchase premium".
Regarding the method's application in the present case, the following is specified:

1) the method was applied by referring to a sample of transactions involving in European companies operating in the sector "*Medical: Handicap aids and basic healthcare supplies*" available in the "*Mergermarket*" database for the period 2016-2021;
2) it was decided to make the main reference, also in this case, to the "unlevered" multiples, "EV/Sales" and "EV/Ebitda", provided by the aforementioned database, widely used and considered significant for companies operating in the same sector as the company in question;
3) for valuation purposes, the "average" and "median" summary data were considered to be relevant;
4) for the business unit, the data expected for the 2021 financial year were considered, as well as data inferable based on the Plan delivered to us.

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## 1.12 Calculation of the "Adjusted net equity" (K)

The assets and liabilities included in the financial position of the Italy Division at the reference date of December 31, 2020, already identified and described in detail, can be identified as follows:

| *(€)* | **December 31, 2020** |
|---|---|
| **ASSETS** | |
| **Non-current assets** | |
| Goodwill | 536.417 |
| Intangible fixed assets with finite useful life | 6,861,234 |
| Tangible fixed assets | 18,530,995 |
| Right-of-use assets | 68,894,992 |
| Investments | 500 |
| Deferred tax assets | 3,779,219 |
| Deferred contract cost assets – long term | 2,495,099 |
| Other non-current assets | 12,507,016 |
| **Total non-current assets** | **113,605,472** |
| **Current assets** | |
| Inventories | 8,751,608 |
| Trade receivables | 36,919,305 |
| Deferred contract cost assets – short term | 2,128,856 |
| Other receivables | 11,470,817 |
| Short-term financial receivables from subsidiaries | 50.122 |
| Cash and cash equivalents | 20,931,924 |
| **Total current assets** | **80,252,632** |
| **TOTAL ASSETS** | **193,858,104** |

| (€ thousands) | **December 31, 2020** |
|---|---|
| **LIABILITIES** | |
| **Non-current liabilities** | |
| Lease liabilities | 56,257,692 |
| Provision for risks and charges | 17,375,118 |
| Liabilities for employees' benefit | 2,686,111 |
| Deferred contract cost liabilities - long term | 26,683,609 |
| Deferred tax liabilities | 768.816 |
| **Total non-current liabilities** | **103,771,346** |
| **Current liabilities** | |
| Other third-party liabilities | 29,180,485 |

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| | |
|---|---:|
| Deferred contract cost liabilities - short term | 22,833,410 |
| Lease liabilities | 13,072,863 |
| **Total current liabilities** | **65,086,758** |
| **TOTAL LIABILITIES** | **168,858,104** |
| **Net Assets of the transferred Division** | **25,000,000** |
| **Net Assets and Liabilities of the transferred Division** | **193,858,104** |

*Source: Amplifon S.p.A.*

The net assets relating to the business unit that is the subject of the valuation can be quantified at the reference date of December 31, 2020, as can be deduced from the above statement of financial position, as €25,000,000.
For the purpose of the valuation, this value was adjusted to exclude the book value of the intangible fixed assets, which will be recalculated under the scope of the overall goodwill value.

The calculation is:

| ***(values rounded off in euros)*** | **Dec-31-20** |
|---|---:|
| Italy Division net assets | 25,000,000 |
| (-) Goodwill | (536,417) |
| (-) Intangible fixed assets with a finite life | (6,861,234) |
| **Adjusted net equity (K) for valuation purposes** | **17,602,349** |

The net equity adjusted in this way, rounded off, standing at €17,602, 349, was assumed for the purpose of the valuation without additional adjustments, because, on the basis of the evidence acquired and checks conducted, from the comparison between the current values of the assets and liabilities constituting the branch and their book value at the reference date, no significant capital gains or losses were highlighted.

Based on the inspections conducted, therefore, the value of the adjusted Net equity (K), assumed for the purpose of the valuation, as at December 31, 2020, was rounded off to €17,602,349.

## 1.13 Calculation of the goodwill value

As pointed out previously, the criterion chosen for the estimation of the economic capital of the business unit subject to valuation consists of the application of the classic version of the valuation method taking into account net assets and revenues/earnings
This version involves the direct calculation of the goodwill value ("*Goodwill/Badwill*").
In this context, the formula for calculating the goodwill is as follows:

$$W = K + \sum_{s=1}^{N} \frac{(R - ie\ x\ K)}{(1 + ie)^s}$$

where:
W = Value of the economic capital;
K = Adjusted Net equity, at the reference date of the estimate (excluding intangible assets);
R = Anticipated normal average net income, assumed constant in nominal terms and equal to the average of the net income for the period 2021-2023, as can be deduced on the basis of the 2021-2023 Plan of the Italy Division;

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ie = Cost of own capital.

The formula, taking into consideration the assumed constancy of the excess income flow in the period considered, can also be expressed as:

$$W = K + a_{n\rceil ie}(R - ie \ x \ K)$$

where $a_{n\rceil ie}$ indicates the value of a deferred income of one euro for n years at a rate ie.

The parameters included in the formula, not yet quantified [R and ie], can be defined in this way.

* * *

The anticipated normal average income (R) was quantified initially taking into consideration the net income deduced from the results forecast in the 2021-2023 Plan. This data is not considered as capable of expressing a sufficiently reliable measurement of the income capacity of the company at the estimate reference date, from a stand-alone perspective but taking into account the contract specifics of servicing and transfer pricing completed under the scope of those belonging to the same group and assumed in the Plan ([18]).

It is believed that the decision taken was sufficiently prudential and, in any event, adequate and consistent with the aim of the estimate and level of the value subject to quantification.

The average income, as can be deduced from the data over the horizon of the plan, rounded off, is €36.1 million, assumed for the purpose of the valuation because it was deemed appropriate for expressing the income capacity of the business unit already achieved in the past and sustainable in the medium- to long-term, taking into account the group level servicing agreements and application of transfer pricing policies.

* * *

For the calculation of the Cost of own capital (ie), to use in the calculation of excess income, a rate of **6.0 %** was chosen.

This decision is also reflected in adopting an approach based on market data.
The profitability rate in question can actually be based on the cost of equity applicable to a business of the same size, operating in the same sector as the company under consideration. In this regard, it is advisable to refer, applying the "*Capital Asset Pricing Model*", to the *Security Market Line*, in relation to which the cost of own capital is given by:

$$ie = Rf + (Rm - Rf) \times \beta$$

where:
Rf = Current rate on long-term government securities;
Rm - Rf = Excess long-term income of the share market;
β = Volatility coefficient of the income educed on the basis of a sample of listed securities of European companies operating in the same sector as the company considered.

The calculation of the profitability rate ie is reported below for successive steps.

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[18]) Prudentially, this data was not adjusted to take into account the contribution of any intangible fixed assets amortization and depreciation, assumed not to be significant for the results considered.

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*a) Calculation of Rf.*
Consistent with the normal average income definition (expressed in nominal terms in the calculation of the risk-free rate of return (Rf) reference was made to the current nominal test on long-term government securities as at December 31, 2020, equal to, rounded off, **0.55%,** calculated on the basis of the gross yield on maturity of ten-year Italian government securities (source: *FactSet*, *Treasury Yield Italy* – 0.546%).

b) *Calculation of the "market risk premium".*
The "market risk premium" *(equity risk premium)* is usually equal to the difference between the share market return and the return of risk-free securities.
In the calculations made in recent years for Italy - in the long-term - for companies of the same size as the company considered, the figures were between 4% and 7%.
The market risk premium (Rm – Rf) was calculated prudentially as **6.85%,** in line with the maximum value that can be deduced from recent estimates for the Italian market provided by major studies and research ([19])

c) *Calculating the beta coefficient.*
The beta coefficient of the Italy Division was calculated as **0.786**.
In order to calculate this coefficient, the methodology described below in particular was followed.
Initially, using a database of *FactSet* data providers, a sample of European listed companies considered as comparable with the company being value in terms of activities carried out and operating in the sector of "Medical Specialties" ([20]) was selected.
The sample was composed of 81 companies. Of these, 33 companies were selected as being more comparable with the company subject to valuation with data available as at December 31, 2020, as better illustrated in the table below.

| | Symbol | Company Name | Country | Description | Tax Rate Country (KPMG) | D/E | Beta | Unlevered Beta |
|---|---|---|---|---|---|---|---|---|
| 1 | DEMANT-DK | **Demant A/S** | Denmark | Develops, manufactures and sells hearing aid equipment and devices | 22.0% | 18.0% | 0.894 | **0.784** |
| 2 | GBT-FR | **Guerbet SA** | France | Engages in research, development and production of X-Rays and its by products | 28.0% | 56.9% | 0.532 | **0.378** |
| 3 | DIM-FR | **Sartorius Stedim Biotech SA** | France | Manufactures and supplies biopharmaceutical products and medical equipment | 28.0% | 0.8% | 0.525 | **0.522** |
| 4 | LBIRD-FR | **Lumibird SA** | France | Manufactures industrial and medical lasers and other medical equipment | 28.0% | -7.1% | 0.940 | **1.012** |
| 5 | EL-FR | **EssilorLuxottica SA** | France | Designs, manufactures and sale of ophthalmic lenses and ophthalmic optical instruments | 28.0% | 6.8% | 0.736 | **0.702** |

[19]) Also see: Damodaran A., Country Default Spreads and Risk Premiums, which quantifies the Equity Risk Premium for Italy (source: http://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/ctryprem.html); Fernandez P. and others, *Survey: Market Risk Premium and Risk-Free Rate used for 81 countries in 2020*, IESE Business School, March 25, 2020, which quantifies an *Equity Risk Premium* for Italy of 6.2%; E. Dimson, P. Marsh and Staunton, 2003, "Global evidence on the equity risk premium", *Journal of Applied Corporate Finance*, 15(4), 2003, pages 27-38.

[20]) Specifically, note that the *Factset*: FI2325R3 "*Europe/ Medical Specialities*" classification was referred to in which the Amplifon Group is classified by the data provider.

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| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 6 | AMPLI-FR | **Amplitude Surgical** | France | Engages in the manufacturing, marketing and design of orthopedic products | 28.0% | 145.0% | 0.637 | **0.312** |
| 7 | ALCOR-FR | **Biocorp Production SA** | France | Manufactures medical devices and drug delivery systems | 28.0% | 4.0% | 0.457 | **0.444** |
| 8 | FRE-DE | **Fresenius SE & Co. KGaA** | Germany | Provides healthcare products and services to hospitals | 30.0% | 81.3% | 1.019 | **0.649** |
| 9 | SBS-DE | **STRATEC SE** | Germany | Develops and manufactures fully automated analyzer systems in the fields of clinical diagnostics and biotechnology | 30.0% | 9.6% | 0.552 | **0.517** |
| 10 | EUZ-DE | **Eckert & Ziegler Strahlen- und Medizintechnik AG** | Germany | Provides isotope technology for medical, scientific and industrial use | 30.0% | -6.2% | 0.736 | **0.784** |
| 11 | SRT3-DE | **Sartorius AG Pref** | Germany | Operates as an international laboratory and process technology provider for the biotech, pharmaceutical and food industries | 30.0% | 7.6% | 0.653 | **0.619** |
| 12 | AMP-IT | **Amplifon S.p.A.** | Italy | Manufactures and distributes hearing systems | 24.0% | 22.4% | 0.573 | **0.490** |
| 13 | PHIA-NL | **Koninklijke Philips N.V.** | Netherlands | Provides healthcare solutions | 25.0% | 10.1% | 1.019 | **0.947** |
| 14 | GETI.B-SE | **Getinge AB Class B** | Sweden | Manufactures and distributes medical devices and disinfectants | 21.4% | 18.3% | 0.792 | **0.692** |
| 15 | EKTA.B-SE | **Elekta AB Class B** | Sweden | Manufactures radiation oncology and neurosurgery instruments | 21.4% | 8.7% | 0.889 | **0.832** |
| 16 | BOUL-SE | **Boule Diagnostics AB** | Sweden | Develops, manufactures, and markets medical tools | 21.4% | 10.0% | 0.932 | **0.865** |
| 17 | BACTI.B-SE | **Bactiguard Holding AB** | Sweden | Provides solutions for reducing healthcare-related infections | 21.4% | 6.7% | 0.453 | **0.430** |
| 18 | ENZY-SE | **Enzymatica AB** | Sweden | Develops and sells medical technology products against infectious diseases | 21.4% | -4.0% | 0.669 | **0.697** |
| 19 | HANDI-SE | **Handicare Group AB** | Sweden | Supplies technical aids for mobility challenged individuals | 21.4% | 41.0% | 0.416 | **0.314** |
| 20 | TECN-CH | **Tecan Group AG** | Switzerland | Develops, makes, and distributes robotic sample processors and automatic analyzers for use in labs | 14.8% | -8.3% | 0.777 | **0.847** |
| 21 | SOON-CH | **Sonova Holding AG** | Switzerland | Develops and markets hearing care solutions | 14.8% | 5.4% | 0.907 | **0.867** |
| 22 | YPSN-CH | **Ypsomed Holding AG** | Switzerland | Manufactures injections and diagnostic devices | 14.8% | 10.9% | 0.982 | **0.898** |
| 23 | CLTN-CH | **COLTENE Holding AG** | Switzerland | Develops, manufactures and sells dental consumables and small equipment | 14.8% | 7.1% | 0.509 | **0.479** |
| 24 | MED-CH | **Medartis Holding AG** | Switzerland | Designs and manufactures orthopedic devices | 14.8% | -15.0% | 0.650 | **0.765** |
| 25 | ALC-CH | **Alcon, Inc.** | Switzerland | Develops, manufactures and distributes surgical & eye care devices | 14.8% | 10.9% | 0.940 | **0.860** |

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| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 26 | MOVE-CH | **Medacta Group SA** | Switzerland | Manufactures and distributes orthopedic and neurosurgical medical devices | 14.8% | 9.6% | 0.978 | **0.904** |
| 27 | AMS-GB | **Advanced Medical Solutions Group plc** | United Kingdom | Designs, develops, manufactures and distributes wound care products | 19.0% | -8.6% | 0.585 | **0.640** |
| 28 | SN-GB | **Smith & Nephew plc** | United Kingdom | Develops, manufactures and markets medical technology devices | 19.0% | 8.4% | 1.089 | **1.020** |
| 29 | EKF-GB | **EKF Diagnostics Holdings plc** | United Kingdom | Manufactures and distributes laboratory and personal diagnostic devices | 19.0% | -6.7% | 0.494 | **0.529** |
| 30 | YGEN-GB | **Yourgene Health Plc** | United Kingdom | Develops molecular diagnostic products | 19.0% | 0.7% | 0.875 | **0.870** |
| 31 | SDI-GB | **SDI Group plc** | United Kingdom | Designs and manufactures special-purpose instruments for use in the life sciences | 19.0% | 14.1% | 1.137 | **1.021** |
| 32 | TSTL-GB | **Tristel Plc** | United Kingdom | Provides water treatment and disinfection products for hospitals | 19.0% | -0.1% | 0.337 | **0.337** |
| 33 | CTEC-GB | **ConvaTec Group Plc** | United Kingdom | Develops, manufactures, and markets medical products and technologies | 19.0% | 23.4% | 0.470 | **0.395** |

| | | | |
|---|---|---|---|
| **Average** | **14.6%** | **0.732** | **0.679** |
| **Median** | **8.4%** | **0.736** | **0.697** |

*Source: Our processing of FactSet data*

With regard to the companies included in the sample, the median levered beta provided by *FactSet* was considered ([21]) (average value 0.732, median value 0.736).

We then proceeded, for these companies, to estimate the *unlevered* beta, an expression of operating risk alone.

To move from the *levered* Beta, provided by *FactSet*, to the *unlevered* Beta the Hamada formula was used, with reference to the financial structure provided by *FactSet* and the corporate tax rates from the KPMG *Corporate Tax Rate Survey* 2020. The betas were therefore expressed regardless of the financial «risk», as follows ([22]):

$$\beta_{unlevered} = \frac{\beta_{levered}}{[1 + (1 - T) \times \frac{D}{E}]}$$

where:

$\beta_{levered}$ = beta coefficient in the event of a leveraged company;

$\beta_{unlevered}$ = beta coefficient in the event of an unlevered company;

T = tax rate ([23]);

D/E = ratio between net financial debt (D) and market capitalization (E).

---

21) Beta at 5 years, at December 31, 2020, source *Factset*.

22) For all, see: W. F. Sharpe, G. J. Alexander, J. V. Baley, *Investments*, Prentice Hall, Upper Saddle River, New Jersey, page 506.

23) The tax rate, with reference to the deductible tax deductibity of financial expenses, was calculated with reference to: KPMG, *Corporate and Indirect Tax Rate Survey*, 2020.

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In addition, to move from the historical data to the forecast data (so-called beta adjusted) reference was made to the Blume technique, which weights the historic beta (2/3 weighting) to the market beta, equal to 1 (1/3 weighting):

$$\beta_{Adj.} = \beta_{Actual}\frac{2}{3} + \beta_{Market}\frac{1}{3}$$

The summary data obtained for the sample considered is given below.

| | Average | Median |
|---|---|---|
| **Beta** | 0.732 | 0.736 |
| **Beta Unl** | 0.679 | 0.697 |
| **Beta Unl Adj** | 0.786 | **0.798** |
| **D/E** | 14.60% | 8.40% |

*Source: our processing of FactSet data*

The median unlevered adjusted beta coefficient that can be derived from the above sample (equal to **0.798**) was deemed capable of providing a sufficiently objective and reliable estimate of the level of operating risk associated with the business model of the company subject to valuation.

Taking into consideration the lack of financial debt of the business unit that is the subject of the valuation, this value was therefore assumed for the purpose of the valuation without further adjustments.

* * *

The ie rate was calculated and rounded off, standing at **6.0%**.

The calculation is:

Ke = 0.546% + (6.85% x 0.798) = 6.0%

* * *

Based on the parameters calculated in this way, it is possible to calculate the goodwill value of the business unit subject to valuation, following the methods described below.
The excess income can therefore be obtained from the difference between the anticipated normal average income (R) and the anticipated return of the adjusted net equity (K), rounded off to €35,000,000. The calculation is:

R – ie x K = €36,100,000 Mil. – 6.0% x €17,602,349 = €35,043,859

The excess income was assumed to be constant in nominal terms in the period considered (25 years). The goodwill value is calculated from here based on a discount coefficient of deferred income for 25 years at the discount rate of 6.0%($a_{n]ie}$), as equal to times 12.783.

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### 1.14 The value of the economic capital based on the valuation method taking into account net assets and revenues/earnings

Based on the considerations so far, the value of the economic capital of the Italy Division at the reference date of December 31, 2020 can be quantified as the sum of the adjusted net equity (K) and the value of the goodwill, calculated following the methodology and parameters described above in more detail.
The value of the economic capital as at December 31, 2010, calculated in accordance with the valuation method taking into account net assets and revenues/earnings, identified as the main method, is far higher than the value attributed to the net assets of the Italy Division which is the subject of the assignment, at the same date, equal to €25.0 million, specifically thanks to the extent and significance of the goodwill value.
All the intangible resources relating to the Italy Division also contribute to the formation of this goodwill value, as explained better above.

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## — THE APPLICATION OF THE INCOME APPROACH

The income approach was applied as the first method for checking the results obtained, in line with the main method in the levered version.
Specifically, the method was applied taking into consideration the anticipated normal average income, assumed constant in nominal terms based on the formula below:

$$W = \frac{R}{ie}$$

where:
W = Value of the economic capital;
R = Anticipated normal average income, assumed constant and equal to the average of the net income for the period 2021-2023, as can be deduced on the basis of the 2021-2023 Plan of the Italy Division;
ie = Cost of own capital.

Having already previously calculated the parameters included in the above formula, it is possible to conclude that, based on the application of the income approach, used as the control method, the value of the Italy Division at the reference date of December 31, 2020, has a significantly higher value attributable compared with the one obtained from the application of the valuation method taking into account net assets and revenues/earnings, whose results are therefore confirmed, in accordance with prudential criteria.

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## — THE APPLICATION OF THE MULTIPLIER METHOD

As clarified previously, as a further control approach, the Market Approach was applied, taking into consideration two methods based on comparable companies (the so-called "market multipliers method").
Specifically, in the case in question, the result obtained from the application of the main valuation method taking into account net assets and revenues/earnings was compared with the values derived from the application of two multiplier samples:

1. multipliers derived from comparable listed companies (*Stock Market Multiples*);
2. transaction multipliers of capital shares of comparable companies (*Deal Multiples*).

The comparison was made, given the financial structure of the business unit subject to valuation, considering unlevered multiples "EV/Sales" and "EV/EBITDA", widely used and deemed important for companies operating in the same sector as the company considered.
The decision to use an assets side multiple, also justified by the need to obtain a valuation that is independent of the specific features of the financial structure of the comparable companies included in the samples considered.

### 1.15 The multiples derived from a sample of comparable listed companies (*Stock Market Multiples*)

The multipliers derived from "comparable listed companies" (*stock market multiples*) are often used in calculating the probable "market value" of non-listed companies.
They are therefore capable of providing an indication of the value that can be realized from the listing of the business unit subject to valuation on a regulated market. On the other side, the results obtained from the application of the method express probable prices for the minority interests of the company, that do not include the "premium" resulting from the control of the company (so-called "control premium").
As far as the calculation of the multipliers is concerned, note the following:

1) the multipliers derived from "comparable listed companies" were calculated with reference to multiples expressed by the stock market for a sample composed of 33 European companies operating in the same sector as the company subject to valuation "*Medical Specialties*", in accordance with the classification provided by the *FactSet* data providers (Code: FI2325R3 "*Europe/Medical Specialties*"), available in the *Factset* data bases and already described previously ([24]).
2) As stated, the unlevered multiples "EV/Sales" and "EV/EBITDA" were considered.
3) The leading multiples were considered for 2021 (FY1) and 2022 (FY2), derived from consensus data available in *Factset*, at the reference date ([25]).
4) The average value and the median value ("summary" data) were calculated for these multiples.

The results obtained are reported in the table below.

| Symbol | Company Name | Country | Description | EV/Sales 21 | EV/Sales 22 | EV/EBITDA 21 | EV/EBITDA 22 |
|---|---|---|---|---|---|---|---|

[24]) See § 4.2.

[25]) Specifically, the Enterprise Value (EV) for the companies considered was calculated at the reference date of December 31, 2020. The forecast data (FY Sales and EBITDA) for the years 2021-2022 were derived from the average consensus data provided by *FactSet*.

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| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 1 | DEMANT-DK | **Demant A/S** | Denmark | Develops, manufactures and sells hearing aid equipment and devices | x 3.4 | x 3.2 | x 16.2 | x 14.4 |
| 2 | GBT-FR | **Guerbet SA** | France | Engages in research, development and production of X-Rays and its by products | x 1.1 | x 1.0 | x 7.7 | x 7.3 |
| 3 | DIM-FR | **Sartorius Stedim Biotech SA** | France | Manufactures and supplies biopharmaceutical products and medical equipment | x 5.8 | x 5.1 | x 18.5 | x 16.2 |
| 4 | LBIRD-FR | **Lumibird SA** | France | Manufactures industrial and medical lasers and other medical equipment | x 1.5 | x 1.3 | x 7.8 | n.a. |
| 5 | EL-FR | **EssilorLuxottica SA** | France | Designs, manufactures and sale of ophthalmic lenses and ophthalmic optical instruments | x 3.8 | x 3.6 | x 16.7 | x 15.1 |
| 6 | AMPLI-FR | **Amplitude Surgical** | France | Engages in the manufacturing, marketing and design of orthopedic products | x 1.8 | x 1.7 | x 8.2 | x 7.3 |
| 7 | ALCOR-FR | **Biocorp Production SA** | France | Manufactures medical devices and drug delivery systems | x 1.6 | x 1.2 | x 2.7 | x 1.9 |
| 8 | FRE-DE | **Fresenius SE & Co. KGaA** | Germany | Provides healthcare products and services to hospitals | x 1.5 | x 1.4 | x 7.5 | x 7.0 |
| 9 | SBS-DE | **STRATEC SE** | Germany | Develops and manufactures fully automated analyzer systems in the fields of clinical diagnostics and biotechnology | x 2.8 | x 2.7 | x 12.0 | x 11.0 |
| 10 | EUZ-DE | **Eckert & Ziegler Strahlen- und Medizintechnik AG** | Germany | Provides isotope technology for medical, scientific and industrial use | x 4.6 | x 4.2 | x 18.7 | x 16.6 |
| 11 | SRT3-DE | **Sartorius AG Pref** | Germany | Operates as an international laboratory and process technology provider for the biotech, pharmaceutical and food industries | x 5.2 | x 4.6 | x 17.4 | x 15.3 |
| 12 | AMP-IT | **Amplifon S.p.A.** | Italy | Manufactures and distributes hearing systems | x 3.5 | x 3.2 | x 14.3 | x 12.8 |
| 13 | PHIA-NL | **Koninklijke Philips N.V.** | Netherla nds | Provides healthcare solutions | x 2.2 | x 2.1 | x 11.8 | x 10.8 |
| 14 | GETI.B-SE | **Getinge AB Class B** | Sweden | Manufactures and distributes medical devices and disinfectants | x 2.1 | x 2.0 | x 9.9 | x 9.3 |
| 15 | EKTA.B-SE | **Elekta AB Class B** | Sweden | Manufactures radiation oncology and neurosurgery instruments | x 2.4 | x 2.2 | x 10.4 | x 9.6 |
| 16 | BOUL-SE | **Boule Diagnostics AB** | Sweden | Develops, manufactures, and markets medical tools | x 2.9 | x 2.6 | x 15.3 | x 12.8 |
| 17 | BACTI.B-SE | **Bactiguard Holding AB** | Sweden | Provides solutions for reducing healthcare-related infections | x 7.3 | x 5.8 | x 14.2 | x 10.3 |
| 18 | ENZY-SE | **Enzymatica AB** | Sweden | Develops and sells medical technology products against infectious diseases | x 2.7 | x 2.1 | x 17.9 | x 11.9 |
| 19 | HANDI-SE | **Handicare Group AB** | Sweden | Supplies technical aids for mobility challenged individuals | x 1.3 | x 1.3 | x 9.8 | x 9.6 |

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| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 20 | TECN-CH | **Tecan Group AG** | Switzerland | Develops, makes, and distributes robotic sample processors and automatic analyzers for use in labs | x 3.9 | x 3.7 | x 19.0 | x 17.1 |
| 21 | SOON-CH | **Sonova Holding AG** | Switzerland | Develops and markets hearing care solutions | x 3.9 | x 3.6 | x 14.2 | x 12.9 |
| 22 | YPSN-CH | **Ypsomed Holding AG** | Switzerland | Manufactures injections and diagnostic devices | x 3.6 | x 3.1 | x 15.1 | x 11.7 |
| 23 | CLTN-CH | **COLTENE Holding AG** | Switzerland | Develops, manufactures and sells dental consumables and small equipment | x 2.1 | x 2.1 | x 13.5 | x 11.9 |
| 24 | MED-CH | **Medartis Holding AG** | Switzerland | Designs and manufactures orthopedic devices | x 2.8 | x 2.5 | x 16.3 | x 12.0 |
| 25 | ALC-CH | **Alcon, Inc.** | Switzerland | Develops, manufactures and distributes surgical & eye care devices | x 4.2 | x 3.9 | x 19.6 | x 17.5 |
| 26 | MOVE-CH | **Medacta Group SA** | Switzerland | Manufactures and distributes orthopedic and neurosurgical medical devices | x 4.1 | x 3.6 | x 13.5 | x 11.4 |
| 27 | AMS-GB | **Advanced Medical Solutions Group plc** | United Kingdom | Designs, develops, manufactures and distributes wound care products | x 5.0 | x 4.6 | x 18.8 | x 16.1 |
| 28 | SN-GB | **Smith & Nephew plc** | United Kingdom | Develops, manufactures and markets medical technology devices | x 4.3 | x 4.1 | x 15.6 | x 14.3 |
| 29 | EKF-GB | **EKF Diagnostics Holdings plc** | United Kingdom | Manufactures and distributes laboratory and personal diagnostic devices | x 2.9 | x 3.1 | x 10.3 | x 12.1 |
| 30 | YGEN-GB | **Yourgene Health Plc** | United Kingdom | Develops molecular diagnostic products | x 3.3 | x 2.6 | x 18.7 | x 11.4 |
| 31 | SDI-GB | **SDI Group plc** | United Kingdom | Designs and manufactures special-purpose instruments for use in the life sciences | x 1.6 | n.a. | x 7.8 | n.a. |
| 32 | TSTL-GB | **Tristel Plc** | United Kingdom | Provides water treatment and disinfection products for hospitals | x 5.4 | x 4.6 | x 17.5 | x 15.6 |
| 33 | CTEC-GB | **ConvaTec Group Plc** | United Kingdom | Develops, manufactures, and markets medical products and technologies | x 3.3 | x 3.2 | x 14.7 | x 13.3 |
| | | **Average** | | | **x 3.3** | **x 3.0** | **x 13.7** | **x 12.2** |
| | | **Median** | | | **x 3.3** | **x 3.1** | **x 14.3** | **x 12.0** |

*Source: Our processing of FactSet data*

The average and median summary results were considered significant for expressing an indication of the probable market value of the company subject to valuation, on the basis of the application of the multiplier method derived from comparable listed companies.

The reference measurements for the Italy Division, on the other hand, can be derived from the 2021-2023 Plan given to us.
Based on this data it was therefore possible to quantify the probable market value of the Business Unit, at the reference date of the estimate, based on the market multiple method derived from comparable listed companies.

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In this regard, note that once the overall, operating value of the Business Unit subject to the valuation is calculated (the so-called *Enterprise Value, "EV"*) based on the average and median multiplier, to quantify the probable transfer value of the net equity only it is necessary to add the value of the Net Financial Position, at the date of the positive estimate (cash availability €18.2 million) ([26]).

In conclusion, the value attributable to the Business Unit subject to valuation at the reference date of the estimate, based on the application of the multiplier control method derived from comparable listed companies is far higher than the one obtained based on the application of the valuation method taking into account net assets and revenues/earnings, identified as the main method.

### 1.16 The multiples derived from a sample of comparable business transactions *(Deal Multiples)*

The multipliers derived from "comparable transactions" (*Deal Multiples* or "*Guideline Company Transactions Method*"), are often used in calculating the probable "sale price" of non-listed companies.
They are therefore capable of providing an important indication of the market value that can be realized from the sale of equity investments in the company considered.
On the other side, the results obtained from the application of the method, if constructed with reference to prices for significant shares of the company, definitely taking into account a measure of "purchase premium".
As far as the application of the method is concerned, note the following:

1. the multipliers derived from "comparable transactions" were calculated with reference to transactions involving the acquisition of equity investments in European companies operating in the sector "*Medical: Handicap aids and basic healthcare supplies*" available in the "Mergermarket" data base for the period 2016-2021 ([27]);
2. 48 transactions that took place in the period considered are available in the data base;
3. reference was made, in this case too, to the average value of the asset side multiples "EV/Sales" and "EV/EBITDA", provided by the above-mentioned data base;
4. the summary data (average and median) were considered significant for the two samples;
5. the forecast data derived from the 2021-2023 Plan given to us were considered for the Business Unit.

In the case in question too, once the overall, operating value of the Business Unit subject to the valuation was calculated (the so-called *Enterprise Value, "EV"*) based on the average and median multiplier, to quantify the probable transfer value of the net equity only it is necessary to add the value of the Net Financial Position, at the date of the positive estimate (cash availability €18.2 million).
The results obtained are reported in the table below.

| | Announced Date | Target Company | Bidder Company | Enterprise Value (m) |
|---|---|---|---|---|
| 1 | 01/27/21 | Handicare Group AB | Savaria Corporation | 337.5 |
| 2 | 10/06/2020 | Smartbox Assistive Technology Ltd | CareTech Holdings Plc & Others | 11.7 |
| 3 | 08/06/2020 | ConvaTec Group Plc | Medline Industries, Inc. | 24.4 |
| 4 | 08/05/2020 | Livongo Health, Inc. | Teladoc Health, Inc. | 12,530.2 |
| 5 | 07/30/2020 | Amplitude Surgical | PAI Partners SAS | 210.4 |
| 6 | 06/11/2020 | Ethique Perfusion SA | Asten Sante SA | 6.7 |
| 7 | 05/28/2020 | Sunshine Smile GmbH | HV Capital Manager GmbH & Others | 100.0 |
| 8 | 02/03/2020 | Mears Group Plc | Cera Care Limited | 35.4 |

26) It is calculated as the difference between the item "Cash and cash equivalents" and "Liabilities for employee benefits" (TFR), at the reference date.

27) Specifically, the sector is identified by the data provider Mergermarket ® as follows: "*Manufacturers of products that assist the physically impaired with day living, such as prosthetics, hearing aids, crutches, wheelchairs, walking sticks, reading glasses, and dental braces; and manufacturers of basic healthcare supplies, such as first-aid kits and related items*".

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| | | | | |
|---|---|---|---|---|
| 9 | 01/13/2020 | RTI Surgical Holdings, Inc. | Montagu Private Equity LLP | 440.3 |
| 10 | 12/02/2019 | Biomatlante SA | Advanced Medical Solutions Group Plc | 8.3 |
| 11 | 10/29/2019 | Marle International SAS | Dentressangle Initiatives SAS | 800.0 |
| 12 | 08/30/2019 | HumanOptics AG (73.4% Stake) | HumanOptics Holding AG | 62.0 |
| 13 | 08/01/2019 | Durbin PLC | Uniphar PLC | 26.3 |
| 14 | 06/25/2019 | Millet Innovation SA | Groupe GTF | 36.8 |
| 15 | 12/11/2018 | Care Management Group Limited | AMP Limited | 221.3 |
| 16 | 11/12/2018 | Omnia SpA | Cantel Medical Corp. | 26.5 |
| 17 | 11/01/2018 | Paradigm Spine, LLC | Surgalign Holdings, Inc. | 131.8 |
| 18 | 10/23/2018 | Choice Care Group Limited | iCON Infrastructure LLP | 172.6 |
| 19 | 09/13/2018 | Systagenix Wound Management Manufacturing Limited | Scapa Group Plc | 34.8 |
| 20 | 08/20/2018 | Smartbox Assistive Technology Ltd | Tobii Dynavox, LLC | 12.3 |
| 21 | 07/24/2018 | Gabinetes de Audioprotesis, Electromedicina y Servicios SA | Amplifon S.p.A. | 535.9 |
| 22 | 06/27/2018 | Portman Healthcare Limited | Core Equity Holdings Limited | 340.4 |
| 23 | 05/01/2018 | HCi Viocare (49.1% Stake) | Maschari Ltd. | 12.2 |
| 24 | 03/12/2018 | Sarnova, Inc. | Patricia Industries | 732.9 |
| 25 | 03/02/2018 | J&R Medical LLC | ConvaTec Group Plc | 12.6 |
| 26 | 08/02/2017 | PharMerica Corporation | Kohlberg Kravis Roberts & Co. L.P. | 1,123.1 |
| 27 | 06/24/2017 | Ottobock SE & Co. KGaA (20% Stake) | EQT Partners AB | 3,150.0 |
| 28 | 06/13/2017 | In'Tech Medical S.A.S. | Eurazeo PME; Andera Partners SCA | 98.0 |
| 29 | 04/04/2017 | Innocoll Holdings plc | Gurnet Point Capital | 74.6 |
| 30 | 03/28/2017 | ConvaTec Group Plc | Novo Holdings A/S | 7,254.2 |
| 31 | 03/01/2017 | Evac+Chair International Limited | Wensleydale W & G Limited | 8.1 |
| 32 | 02/27/2017 | Vigmed Holding AB | Greiner Bio-One International GmbH | 9.0 |
| 33 | 01/31/2017 | Nitritex Limited | Ansell Limited | 66.5 |
| 34 | 12/19/2016 | BSN Medical GmbH | Svenska Cellulosa Aktiebolaget SCA | 2,740.0 |
| 35 | 11/24/2016 | Moberg Pharma AB (PediaCare brand) | Strides Pharma Science Limited | 4.7 |
| 36 | 11/07/2016 | Ahlstrom Corporation | Ahlstrom-Munksjo Oyj | 806.7 |
| 37 | 09/25/2016 | GN Otometrics A/S | Natus Medical Incorporated | 129.3 |
| 38 | 09/06/2016 | SLM Solutions Group AG | General Electric Company | 663.4 |
| 39 | 09/01/2016 | Steris plc | S.C. Johnson & Son, Inc. | 37.4 |
| 40 | 06/30/2016 | Prestige Brands Holdings Inc | Moberg Pharma AB | 36.0 |
| 41 | 06/29/2016 | Laboratoires Anios S.A. | Ecolab Inc. | 750.0 |
| 42 | 06/27/2016 | Prism Medical Ltd. | Handicare Group AB | 53.3 |
| 43 | 06/27/2016 | HeartWare International, Inc. | Medtronic plc | 993.0 |
| 44 | 05/30/2016 | Atos Medical AB | PAI Europe VI | 826.2 |
| 45 | 05/24/2016 | Marle International SAS | IK Investment Partners Limited | 300.0 |
| 46 | 05/04/2016 | AudioNova International B.V. | Sonova Holding AG | 830.0 |
| 47 | 03/30/2016 | Focus Diagnostics Inc | Diasorin SpA | 267.6 |
| 48 | 03/01/2016 | Medi-Globe Corporation | Deutsche Bank AG; Duke Street LLP; Brederode SA; Harwood Capital LLP; CAM Alternatives GmbH; Atnahs Capital | 130.0 |

| **Exit multiples - 48 deals** | **Revenue** | **No.** | **EBITDA** | **No.** |
|---|---|---|---|---|
| **Average** | x 6.1 | 48 | x 19.0 | 24 |
| **Median** | **x 2.5** | 48 | **x 13.7** | 24 |
| **Adjusted Average *** | x 4.5 | 46 | x 16.2 | 22 |

* Top and bottom 2.5% of results removed

*Source: Mergermarket*

In conclusion, the value attributable to the Italy Business Unit subject to valuation at the reference date of the estimate, based on the application of the multiplier control method derived from comparable transactions is far higher than the one obtained based on the application of the valuation method taking into account net assets and revenues/earnings, identified as the main method.

**All of this makes it possible to conclude that the results obtained from the application of the valuation method taking into account net assets and revenues/earnings are confirmed, in their**

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**rationality and prudentiality, and from the application of the market multiplier method, identified as the control method.**

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## — CONCLUSIONS

Through the explanation above (§ 4.3) the conclusion has been reached that the value of the economic capital of the Italy Business Unit, as at December 31, 2020, using the valuation method taking into account net assets and revenues/earnings, is far higher than the value of the net assets quantified for the purpose of the transfer of the above-mentioned business unit and stands at €25,000,000.

Using, as the first control method, the income method (§ 5), the conclusion was reached that, always as at December 31, 2020, the value of the economic capital of the Italy Business Unit is far higher than the value obtained on the basis of the application of the valuation method taking into account net assets and revenues/earnings.

Using the second control method, the multiplier method derived from comparable listed companies and comparable transactions (§ 6), it was noted that the value obtained from the application of the main method was also confirmed, in terms of extreme prudentiality, by the application of a method that provides a quantification of the "probable market price" for the company considered, in the two versions considered.

All of this allows us to conclude that the results obtained from the application of the valuation method taking into account net assets and revenues/earnings are confirmed, in their rationality and prudentiality, both from the application of the income method, used as the main control method, and by the application of the market multipliers method (of listed companies and comparable transactions), identified as the second control method.

* * *

In the light of the results obtained, the undersigned can conclude his report in the following terms.

"The value attributable to the Italy Business Unit, possibly subject to transfer by Amplifon S.p.A. to a pre-established company, as identified in more detail in the statement of financial position at the reference date of December 31, 2020 given to me, is not less, at that date, than €25,000,000 (twenty-five million euros)".

Taking into account that, based on what we have been told, the assignment will take place consistent with book values by allocation of the book value of the business unit transferred at the reference date of December 31, 2020 equal to a total of €25,000,000.00, for an amount of €90,000.00 and a Share Capital increase of the receiving company "Amplifon Italia S.r.l." and for the remaining €24,910,000.00 to the Premium reserve, the undersigned, pursuant to and in accordance with Article 2465 of the Italian Civil Code, can therefore certify that:

"the value of the Italy Business Unit subject to possible transfer by Amplifon S.p.A. is at least equal, at the reference date, to that attributed to it for the purpose of calculating the share capital increase and the premium pertaining to the receiving company following the proposed transfer".

Sincerely,

Milan, April 12, 2021

Prof. Andrea Amaduzzi

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## LIST OF ANNEXES

- **Annex A)**
  List of shops included in the Italy Division.

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**ATTACHMENT 2 - AMPLIFON PRESS RELEASE PUBLISHED ON DECEMBER 16, 2020**

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# APPROVAL OF THE PROJECT FOR THE REDEFINITION OF THE CORPORATE STRUCTURE OF AMPLIFON S.P.A.

*Milan, December 16th, 2020* – Amplifon S.p.A. (MTA; Bloomberg ticker: AMP:IM, "Amplifon"), global leader in hearing solutions and services, announces that the Board of Directors, during a meeting held today, approved and kicked-off a project to redefine the group's corporate structure mainly aimed at separating the operating activities in Italy from the direction and management activities of the group carried out by the listed parent company.

More in detail, the main objective of the project is to redefine the corporate structure of the Amplifon group in line with the evolution of the group's organizational structure and multinational nature. In such context, the listed parent company will be responsible for the definition and development of the strategic direction as well as for the management and strategic coordination activities for the entire group, while the operating activities related to the country Italy will be managed by a dedicated company.

It is envisaged that the project will be implemented through the contribution in kind of the business branch related to the operating activities of the country Italy as consideration for the capital increase reserved to Amplifon, which will be resolved upon by a company fully owned by the listed parent entity.

It is also currently under evaluation the contribution in kind of the business branch related to the support, operative coordination and service activities currently carried out by Amplifon in favor of the group. Such transaction would be implemented in the same way as envisaged for the business branch related to the country Italy.

The final approval of the project for the redefinition of the corporate structure by Amplifon's Board of Directors is currently scheduled for the month of March 2021 and all the transactions related to the project are expected to be implemented and effective by the first half of 2021.

**About Amplifon**
Amplifon, global leader in the hearing care retail market, empowers people to rediscover all the emotions of sound. Amplifon's some 17,000 people worldwide strive every day to understand the unique needs of every customer, delivering exclusive, innovative and highly personalized products and services, to ensure everyone the very best solution and an outstanding experience. The Group operates through a network of around 11,000 points of sale in 28 Countries and 5 continents. More information about the Group is available at: https://corporate.amplifon.com.


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**ATTACHMENT 3 - AMPLIFON PRESS RELEASE PUBLISHED ON MARCH 3, 2021**

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# FINAL APPROVAL OF THE PROJECT FOR THE REDEFINITION OF THE CORPORATE STRUCTURE OF AMPLIFON S.p.A.

Milan, March 3rd, 2021 – Amplifon S.p.A. (MTA; Bloomberg ticker: AMP:IM, "Amplifon"), global leader in hearing solutions and services, announces that the Board of Directors, during a meeting held today, definitively approved the project to redefine Amplifon S.p.A.'s corporate structure.

The main objective of the project, which was already approved by the Board of Directors on December 16th, 2020 and announced on the same date, is to redefine the corporate structure of Amplifon S.p.A. in line with the evolution of the group's organizational structure and multinational nature.

The redefinition of the corporate structure will be implemented through the contribution in kind of the business branch related to the operating activities of the country Italy as consideration for the capital increase reserved to Amplifon, which will be resolved upon by Amplifon Italia S.r.l. ("Amplifon Italia"), a fully owned subsidiary of Amplifon (the "Transaction"). Once the Transaction is finalized, Amplifon will be responsible for the definition and development of the strategic direction and strategic coordination activities for the entire group, while the operating activities related to the country Italy will be managed by Amplifon Italia.

In order to implement the Transaction, (i) the shareholders meeting of Amplifon Italia will resolve on a share capital increase to be carried out in one or more tranches for cash, with share premium, for a maximum amount of up to 25 million euros, and (ii) at the same time, Amplifon and Amplifon Italia will enter into a deed of contribution which will lay out the exact definition of the relevant perimeter, as well as a list of all the assets and liabilities pertaining to the transferred business branch. The same shareholders' meeting of Amplifon Italia will also resolve on the conversion of Amplifon Italia into a joint stock company which will be effective as of the day of the contribution, as well as on the appointment of the Board of Directors, the Board of Statutory Auditors and the external auditors, which will also be effective as of the same date.

Lastly, Amplifon's Board of Directors has decided not to proceed at the moment with the contribution in kind of the business branch pertaining to the support, operational coordination and service activities currently carried out by Amplifon in favor of the group.

Currently, all the afore mentioned activities are expected to be finalized in the first half of 2021.

In order to provide comprehensive information about the Transaction, even though Amplifon exercised the right to waive the mandatory publication of an information document for acquisitions and disposals pursuant to Art. 71 of CONSOB Regulation no. 11971 of May 14th, 1991, as subsequently amended, (the "Issuers' Regulation"), an information document relating to the Transaction, drafted on a voluntary basis, will be made available to the public within the timeframe indicated in Art. 71 of the Issuers' Regulation.

Furthermore, pursuant to Art. 6 of CONSOB Regulation n. 17221 of March 12th, 2010, as subsequently amended ("Regulation 17221/2010"), Amplifon Italia is a related party of Amplifon as Amplifon Italia is a fully owned subsidiary of Amplifon. However, the Transaction is not subject to the procedures for related parties' transactions as per the exemption provided by Art. 14, paragraph 2, of Regulation 17221/2010 and Art. 4.2(d) of Amplifon's Procedure for Related Parties' Transactions approved by Amplifon's Board of Directors on July 26th, 2018 and published on Amplifon's corporate website (https://corporate.amplifon.com). Therefore, Amplifon did not and will not publish an information document relating to the Transaction pursuant to Art. 5 of Regulation 17221/2010.

## About Amplifon

Amplifon, global leader in the hearing care retail market, empowers people to rediscover all the emotions of sound. Amplifon's over 17,000 people worldwide strive every day to understand the unique needs of every customer, delivering exclusive, innovative and highly personalized products and services, to ensure everyone the very best solution and an outstanding experience. The Group operates through a network of over 11,000 points of sale in 27 Countries and 5 continents. More information about the Group is available at: https://corporate.amplifon.com.


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