



Amplifon S.p.A.

Remuneration Statement

**Article 123-ter, TUF
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INTRODUCTION

The purpose of the Remuneration Statement is to provide the market with the information needed to fully understand the objectives underlying the remuneration policy, the principles and the tools used, as well as how the latter reflects the Company's short and medium/long term goals.

The Report is largely focused on the Directors, the Chief Executive Officer/General Manager, the Key Managers with strategic responsibilities (hereinafter referred to as Key Managers) and the person in charge of the Internal Audit function, but the principles dictating the compensation policy discussed herein are applied to all Company personnel on the basis of the role held and the level of responsibility.

The information relative to the Company's policy regarding compensation for the Directors, the Chief Executive Officer/General Manager, the Key Managers and the person in charge of the Internal Audit function is found in Part 1, along with an outline of the procedures used to adopt and implement this policy.

The compensation paid Directors, the Chief Executive Officer/General Manager, and the Key Managers is shown in Part 2, along with the items comprising compensation and how these reflect the related compensation policy.

Part 1

1. GOVERNANCE

The primary goal of the governance model is to guarantee transparency and alignment of the remuneration practices within the Group in line with the principles of Amplifon Global Reward Policy and to ensure that they comply with the law.

Amplifon's governance model includes the following bodies/roles:

1.1 The Shareholders' Meeting

The Shareholders' Meeting of Amplifon S.p.A each year:

- expresses an advisory vote on Part 1 of the Remuneration Statement;
- approves the share incentive plans proposed by the Board of Directors, particularly with regard to any assignments made to Directors of the parent Company and subsidiaries as per Art. 114-*bis* of *Testo Unico della Finanza* or TUF (Legislative Decree n. 58 dated 24 February 1998) and pursuant to Art. 84-*bis* of the Issuers' Regulations (CONSOB Resolution n. 11971/99), granting the Board of Directors the power to implement them.

1.2 Board of Directors

Each year the Board of Directors (hereinafter referred to as the BoD) approves the Group's Global Reward Policy.

The Board, with the support of the Remuneration Committee, as well as specific Corporate functions:

- determines, after examining the proposals of the Remuneration Committee and consulting the Board of Statutory Auditors, the remuneration of the Executive Directors, as well as those holding special offices, and where the Shareholders' Meeting has not already done so, it allocates the Board's overall remuneration to its individual members;
- approves the proposals regarding the Chief Executive Officer/General Manager's remuneration;
- approves, based on the guidelines defined by the Shareholders' Meeting and on the proposals of the Remuneration Committee, the share incentive plans including the beneficiaries, the number of shares/options to be assigned and the operating rules to be applied for all employees;

- approves the long/medium term cash-based incentive plans for the Chief Executive Officer and the Key Managers.

1.3 Chief Executive Officer/General Manager

The Chief Executive Officer/General Manager (hereinafter referred to as CEO/GM), with the support of the Group's Human Resources Department:

- defines the Group's Global Reward Policy, requests an opinion from the Remuneration Committee and submits it to the BoD for approval;
- defines the compensation packages for the Key Managers in accordance with the Global Reward Policy approved by the BoD;
- submits the proposals for share incentive plans, including the beneficiaries, the number of shares/options and the applicable operating rules, to the Remuneration Committee.

1.3 Remuneration Committee

The Remuneration Committee plays a key role in the governance system, particularly with regard to the Group's Global Reward Policy. Besides the Chairman of the Board of Directors, the Committee consists of three non-executive and primarily independent Directors with adequate knowledge and experience in multinational companies.

At December 31st, 2013 the Remuneration Committee consisted of:

- **Maurizio Costa** – independent non-executive Director, Chairman
- **Luca Garavoglia** – independent non-executive Director, Member
- **Andrea Guerra** – independent non-executive Director, Member
- **Susan Carol Holland** – non-executive Director, Member

The Chairman of the Board of Statutory Auditors and the Secretary of the Board of Directors are invited to attend the Remuneration Committee meetings. The Chief HR Officer is also invited when his role and competences are required. The Chief Executive Officer/General Manager attends the meetings when invited by the Committee Chairman in order to discuss specific topics.

The Committee prepares proposals and assesses the Group's remuneration policies, the Board of Directors' compensation, as well as that of the Key Managers, addressing them towards performance improvement criteria, internal equity, market benchmark and alignment of managerial behaviour with Company's goals.

More in detail the Committee:

- expresses an opinion on the Group's Global Reward Policy relative to all Amplifon Group Companies, particularly with regard to the International Key Managers, and submits a proposal to the BoD for approval;
- presents to the Board of Directors proposals regarding the remuneration of the CEO/GM based on analysis of market trends and levels of compensation;
- expresses an opinion about the proposals submitted by the CEO/GM regarding the compensation for the Key Managers;
- examines the CEO/GM's proposals regarding the share incentive plans, which include the beneficiaries, the number of shares/options and the applicable operating rules, for all the employees holding key positions within the organization and submits it to the BoD for approval;
- examines the short - long/medium term cash-based incentive plans for the CEO/GM and the Key Managers, including the financial and/or operating targets, and then submits them to the BoD for approval;
- monitors compliance with the decisions made by the BoD relating to the Group's Global Reward Policy;
- expresses an opinion with regard to special management bonuses linked to extraordinary events;
- monitors any changes in the organizational structure which could impact the Key Managers.

The Committee met six times in 2013:

- 27th February 2013
- 17th April 2013
- 22nd May 2013
- 17th July 2013
- 6th November 2013
- 11th December 2013

To the meetings mentioned above, duly recorded and the average duration of which is estimated at about two hours, the Chairman of the Board of Statutory Auditors always attended. No directors has attended meetings of the Committee in which proposals regarding their remuneration were discussed.

The Board of Directors on April 17th 2013, agreed not to establish, presently, an Appointment Committee, consolidating its functions in the Remuneration Committee, in accordance with the guidelines reported in the comment to the paragraph n.4 of the Code of Conduct. The Board has therefore approved the constitution of a

Remuneration and Appointment Committee, in compliance with the composition requirements of both the Committees, which will have the tasks reported in the paragraph 5 and 6 of the Code of Conduct.

The Remuneration and Appointment Committee has scheduled four meetings in 2014.

The Committee, in general, may avail itself, by way of the Group's Human Resources Department, of all the information and Corporate functions deemed necessary to carry out its responsibilities.

1.4 The Group's Human Resources Department

The Group's Human Resources Department assists the CEO/GM and the Committee in defining the Group's Global Reward Policy by conducting studies of market trends and practices and providing the analyses needed to develop remuneration policies, as well as to align them with the highest possible standards.

More in detail, with the support of the relative Corporate functions:

- proposes changes to the Global Reward Policy and to the pay/incentive schemes tied to the policy and verifies the impact of the proposed changes on the compensation system overall;
- identifies and proposes possible indicators to be used to estimate the fixed and variable components of remuneration packages which are in line with the best practices, subject to internal job grading and analysis of reference markets;
- addresses the legal aspects tied to the preparation and application of the incentive plans based on financial instruments;
- coordinates the definition and implementation of the Performance Management Process connected to the short term incentive plans;
- monitors the application of the Group's Global Reward Policy.

1.5 Definition and Approval of the Group's Global Reward Policy

Each year the Remuneration Committee submits the Policy to the Board of Directors for approval on the basis of the proposal prepared by the CEO/GM with the support of the Group's Human Resources Department. During the meeting held on December 11th, 2013, the Remuneration Committee expressed a positive opinion on the Group's Global Reward Policy for 2014, which was subsequently approved by the Board of Directors on December 18th, 2013. The Global Reward Policy provides the Group Human Resources Department with both the guidelines needed to ensure consistent Group-wide management and the flexibility needed to meet the specific needs of the different Countries.

2. PRINCIPLES

The primary objective of the Group's Global Reward Policy is to align the performance targets of the Company's resources with those of the Group, as well as to attract, motivate and retain talented managers and the key resources within the organization and, more in general, to strengthen Group integration through:

- a shared philosophy, consistent with Amplifon's strategy, size and needs;
- a single remuneration system for the Executives and the Key Managers, and solid guidelines for the rest of the Company's staff, particularly with regard to the Talent category;
- a shared and transparent set of rules and processes.

2.1 Performance Based

The compensation is primarily linked to the performance of the individual, the team and the Group as a whole. Structured performance evaluation processes make it possible to identify the best performances and reward them in a selective manner, linking Group value creation to the individual performance. The short and medium/long term objectives are balanced to reflect each role profile and level of responsibility and are always kept aligned to the short-medium term business priorities.

2.2 Competitive & Attractive

The Global Reward Policy must allow the Company to attract and retain the organization's Talents and key performers. Amplifon's remuneration policy relative to fixed compensation is in line with the market average and in terms of Total Compensation reaches the 75th percentile. The remuneration policy is mainly based on a *Total Remuneration* approach, instead of leveraging on the single compensation components. The Company communicate to the employees the individual overall compensation structure in a transparent way. Amplifon constantly monitors market trends and practices in the other Countries where the Group is active through the collaboration of Mercer, a global leader in salary surveys.

2.3 Fair & Equitable

In order to guarantee fair and equitable treatment with the Group, the Company's reward system is based on job grading. The criteria used to assess performances, to recognize talents and to review salaries are clearly outlined in the Global Reward Policy. The reward policy is applicable to the whole Company on the basis of defined clusters which have similar characteristics.

2.4 Lean & Cost Effective

In order to guarantee maximum control of labour costs, the Company adheres to a selective policy based on return on investment. The Company is committed to keep its reward systems simple and immediately comprehensible and, at the same time, protect the reward systems' sustainability in full compliance with the Company's P&L. The Group/Country HR and Finance functions are committed to a continuous and careful control of costs arising from remuneration policies.

3. TOTAL REWARD COMPONENTS

The Global Reward Policy defines and calls for the use of different reward leverages in order to balance short and medium/long term objectives, motivate resources and selectively reward them, incentivising conduct which maximizes value for the Company and the Shareholders.

3.1 Base salary

The fixed component of the salary is determined based on detailed and up-to-date market surveys, on the position held, on the level of responsibility and is directly influenced by individual performance. Salary reviews are largely reserved for top performers, those who possess critical know how and Talents. The Group's guidelines provide for consistent differentiation in performance evaluation and define recommended salary ranges which are based on the relevant market practices and linked to the individual growth within the position held (entry level, developing, maturity, top driver/star).

3.2 Short term variable compensation (MBO)

Short term variable compensation aims to recognize the results obtained in a single year establishing a direct connection between compensation and performance. It depends on the cluster, the level of responsibility and is tied to a mix of individual and team performance, as well as Country and Group results. The incentive schemes are structured in such a way that performances which exceed the predetermined goals are rewarded more than proportionately and performances that fail to reach the minimum threshold are strongly penalized. Payout may even reach zero. The variable incentives foresee a "cap" on the incentive deliverable and must be "self-financed", considered both in terms of budget both on final finance balance.

3.3 Medium/long term variable compensation (share)

The new variable medium/long term share incentive plans are addressed to three different clusters of population:

1. Chief Executive Officer/General Manager, Executives (including Key Managers with strategic responsibilities) and Senior Managers (Country Market Directors and Corporate Senior Managers) who stand out for consistent and excellent performances and/or further development potential;
2. International Key Managers and Talents, both at Country and Group level;
3. Acousticians and Sales Managers at different organizational level who stand out for excellent performances (approximately the 10% on Country total)

The main target in these plans' definition is to achieve an alignment between the interests of the shareholders and the one of the resources who are mainly and directly involved in long term value creation, together with retaining key resources of the organization. Also these incentives foreseen a cap in the maximum payout.

Tab.1 Summary of the variable components linked to performance targets– CEO/GM and Key managers with strategic responsibilities

	SHORT TERM VARIABLE COMPENSATION (MBO)	LONG/MEDIUM TERM VARIABLE COMPENSATION SHARE (PSG)
VESTING PERIOD	1 Fiscal Year	3.5 Fiscal Years
TARGETS	<ul style="list-style-type: none"> - EBITDA/Free Cash Flow/Net Sales - Group/Region Focus - Individual objectives (excluding CEO/GM) 	<ul style="list-style-type: none"> - Cumulative EBIT/Net Sales (3 years) - Share value during the exercise period
GENERAL CONDITIONS	Closing of the performance year (being employed until December 31st of the last fiscal year of the plan)	
MAIN SPECIFIC CONDITIONS	<ul style="list-style-type: none"> - No payout if the minimum EBITDA threshold is not reached - Booster if the targets are overachieved - Multiplier/demultiplier linked to Group's EBITDA target (80% - 120%) - Individual Performance below expectations may reduce the incentive payout down to 0 	<p>No <i>payout</i> if:</p> <ul style="list-style-type: none"> - the minimum Cumulate EBIT/Net Sales threshold is not reached, or - the NFP/EBITDA threshold is not respected or - the share value minimum treshold is not reached during the whole exercise period

3.4 Benefits

The compensation package also includes different benefits which seek to guarantee equal treatment in the Company and general consistency in the remuneration systems, while also maintaining a competitive position in local markets and complying with the law in the different Countries.

3.5 Indemnity in the event of resignation, dismissal or termination

In general, the Amplifon Group's Global Reward Policy does not provide for any agreements which regulate ex ante economic aspects relating to the possible early termination by the Company or individual resignation. In the event of termination without cause, the Company's policy is to apply the relative legal and/or contractual remedies, as well as market practices, seeking to resolve the matter, whenever possible, in a consensual manner. In this instance, if competitors could benefit from the parties termination or resignation, a non-

competent agreement will be stipulated in accordance with the law and practices in the Country in which the agreement is executed.

4. DIRECTORS' COMPENSATION

The Board of Directors includes the following:

- Executive Director/Chief Executive Officer
- Non-executive Directors with special offices
- Non-executive Directors

At 31 December 2013 these were:

- Chief Executive Officer: Franco Moscetti
- Non-executive Directors holding special offices: the Honorary Chairman, Anna Maria Formiggini, and the Chairman of the Board of Directors, Susan Carol Holland
- Non-executive Directors: Directors Giampio Bracchi, Maurizio Costa, Luca Garavoglia, Andrea Guerra and Giovanni Tamburi

The Directors receive a set emolument, determined on the basis of the commitment needed to carry out their assignments and consists of the following:

- the Directors' compensation established by the Shareholders
- the compensation established by the Board of Directors for being part of Board Committees
- the compensation established by the Board of Directors for Directors holding special offices

On April 17th 2013 the Shareholders' Meeting set the total annual compensation for the Board of Directors at Euro 1,100,000.00, broken down as follows:

- Euro 55,000.00 for each of the Directors, with the exception of the Honorary Chairman, the Chairman and Chief Executive Officer;
- Euro 190,000.00 for the Honorary Chairman;
- Euro 200,000.00 for the Chairman;
- Euro 300,000.00 for the Chief Executive Officer;
- Euro 25,000.00 extra for each instance in which an Independent Director is called upon to be a Chairman of a Committee or the Supervisory Board ("Organismo di Vigilanza");

- Euro 15,000.00 extra for each instance in which an Independent Director is called upon to be a member of a Committee or the Supervisory Board (“Organismo di Vigilanza”).

The compensation received by each member of the Board of Directors in 2013 is shown in Part 2 – Table 1 of this Statement.

In accordance with best practices, the non-executive Directors are not granted any share incentive plan nor other plans linked to the Company’s results.

4.1 Additional insurance coverage

The members of the Board of Directors only receive mandatory insurance coverage. The Chairman of the Board of Directors, Susan Carol Holland, is beneficiary of a personal accident insurance policy, with fixed capital, and has medical coverage, similar to that offered to the Key Managers.

4.2 Indemnity in the event of termination

With the exception of the CEO/GM, as specified in the paragraph 5.7 below, there are no agreements which provide for indemnities in the event of resignation or termination without cause or following a takeover bid, nor are there any agreements based on which non-cash benefits should be provided or maintained if a party ceases to hold office nor have any consulting agreements been stipulated with Directors for a period that runs beyond their term of office. Lastly, to date, no agreements have been stipulated with Directors based on which they would receive compensation for non-compete commitments.

5. COMPENSATION OF THE CHIEF EXECUTIVE OFFICER/GENERAL MANAGER

The Remuneration Committee submits to the Board of Directors proposals about the compensation of the Chief Executive Officer/General Manager based on analyses of market trends and on benchmarking with peer group pay scales.

Generally the CEO/GM's compensation is comprised of the following:

- A gross yearly fixed salary
- Yearly variable compensation linked to the achievement of predefined Company targets (MBO)
- A medium/long term variable share component (Stock Options/Performance Stock Grant)
- Benefits

The cash pay mix is summarized below:

Tab.2 Incidence of the reward components as a percentage of the total annual compensation – CEO/GM

	CEO/GM PAY MIX
Base salary	40%
Short Term variable component (MBO)	20%
Medium/Long Term variable component (LTI)	40%
Total Cash Compensation	100%

In keeping with the principles of our Reward Policy, the CEO/GM's pay mix consists of a significant variable component tied to results with a particular focus on sustainability and which gives more weight to the medium term variable component than to the short term one.

5.1 Base salary

Each year the Remuneration Committee assesses the CEO/GM's fixed compensation in light of reference market standards and potentially proposes any necessary changes based on the principles of the Group's Global Reward Policy, as well as in light of the level of Total Remuneration per year.

5.2 MBO

The CEO/GM's variable incentive is linked to the Group's economic and financial performances. With regard to these components, each year the Remuneration Committee submits a proposal to the Board of Directors in which it identifies the parameters and targets to be used and, subsequently, verifies the results for the previous year.

More in detail, the following parameters were considered for 2014:

- Group EBITDA
- Group Net Sales
- Group Free Cash Flow
- RoS (EBIT/Net Sales) Existing Countries

The targets take into consideration the different factors deemed part of a balanced performance and reflect the priorities indicated in the Company's plans. The total incentive is equal to the sum of the single bonuses payable upon achieving the relative targets.

The targets to be reached are calculated on the basis of pre-determined exchange rates and the perimeter at the beginning of the reference fiscal year and, therefore, exclude any extraordinary transactions (such as, for example, acquisitions, mergers, sale of companies or divisions, restructuring operations) not specifically planned for which could significantly impact results .

A minimum threshold is determined for each target under which the target is deemed to not have been achieved and, consequently, the payout linked to the single target will not be made.

In the event the targets for EBITDA, Net Sales, Free Cash Flow and RoS are exceeded a booster in continuum will be applied which allows for a payout of up to 200% of the EBITDA target and up to 150% of the Net Sales, Free Cash Flow and RoS targets. The Net Sales, Free Cash Flow and RoS boosters will be applied only in the event the EBITDA threshold is reached.

The only further condition for the payout, in addition to the targets achievement, is that the CEO/GM must be employed for the whole performance year and consequently until December 31st of the reference year.

Tab.3 CEO/GM's targets - MBO (2014)

	WEIGHT	BOOSTER(*)
Group EBITDA	30%	X2
Group Free Cash Flow	25%	X1.5
Group Net Sales	30%	X1.5
RoS (EBIT/Net Sales) Existing Countries	15%	X1.5

(*) when the target is overachieved

5.3a LTI 2011-2013 (cash)

The purpose of the three year Long Term Incentive Plan (LTI) 2011-2013 is to align the interests of the Group's key resources with the Company's objectives and medium/long term strategic priorities, as well as to recognize exceptional performances guaranteeing, at the same time, a balanced and competitive compensation package.

The plan, approved by the Board of Directors on March 4th 2011, foresee performance targets that are connected to the Company's strategic plans and, in particular, links the payment of the bonus:

- for 70%, to a combination of EBITDA and NET SALES results (the NET SALES/EBITDA matrix); and
- for 30%, to objectives expressed in terms of NFP Vs EBITDA.

The bonus, calculated as a percentage of the gross annual fixed salary, will be paid after the Shareholders' Meeting approval of Consolidated Financial Statement for 2013, as long as the beneficiary continues to be a Company employee through that time (April 2014). The annual portions are vested and accrued over each year once the pre-determined targets have been reached. The Remuneration Committee verifies and approves the yearly accruals.

In the event the target for the last year of the plan (2013) is reached the beneficiary will be entitled to receive the total incentive amount, even if the targets related to the other two years were not reached.

In light of market volatility and the duration of the plan, the Board of Directors may, at its discretion, change or update the plan targets if there is a substantial change in the Group's perimeter and/or the reference market.

The following condition will, furthermore, apply to the CEO/GM: in the event the Company should terminate the CEO/GM's employment without cause or justified reasons before the date in which the Shareholders' Meeting is to be held to approve the Consolidated Financial Statement for 2013, the Company will pay the CEO/GM the total incentive owed. The Company will also stipulate a life insurance policy, for the amount of the total incentive owed, in which the CEO/GM's heirs are named as beneficiaries in the event of death.

5.3b New LTI (share)

On December 18th 2013, the Board of Directors, on advise of the Remuneration Committee, has approved the introduction of a new share based LTI incentive, which will start in 2014 and will be addressed to three clusters, comprehensive of the Executive cluster in which the CEO is included (see Part 1 - paragraph 3.3 for details). The new system has a temporal framework of 3.5 years for each plan and is based on a annual based “rolling” mechanism with periodical cumulative *targets* (EBIT/Net Sales). The details of the new plan will be submitted to the March 5th 2014 Board of Directors’ meeting for approval and, for the pertaining topics linked to the financial instruments, to the subsequent April 16th 2014 Shareholders’ Meeting.

5.4 Stock Options/Performance Stock Grant

The CEO/GM is currently beneficiary of Stock Option plans approved in 2005 (the details of the assignments made under the plans are shown in Part 2 – Table 2 of this statement).

In addition, the Board of Directors on March 19th, 2012 approved the grant of 300.000 rights for the 2012-2015 cycle of assignment within the Performance Stock Grant Plan 2011-2020 (approved by the Shareholders on December 13th, 2010). The plan currently provides for a vesting period of 4.5 fiscal years covering, therefore, not only the current office, but also any potential subsequent office of the CEO (the details of the assignments made under the plans are shown in Part 2 – Table 3A of this statement).

5.5 Additional insurance coverage

The Chief Executive Officer/General Manager is covered, together with Amplifon SpA Executives, by a life insurance policy (only in the event of death) which is in addition to what is provided under the National Collective Labour Contract (*CCNL Commercio*) through the Antonio Pastore Fund. The policy will cover up to a maximum of € 360,000 which is the level under which an anamnestic questionnaire need not be filled out. The premium varies depending on the actuarial age of the insured and is determined definitively when coverage begins.

All of the Amplifon SpA Executives, including the CEO/GM, also have medical coverage which provides for the refund of expenses, in addition to the standard FASDAC coverage, and an annual medical check-up.

5.6 Benefits

The Chief Executive Officer/General Manager is beneficiary of a Company car in accordance with and pursuant to Amplifon’s Company car policies.

5.7 Indemnity in the event of resignation, dismissal or termination

In the light of best practices applied in many listed companies to the top positions and considering the recommendations of the Code of Conduct (Application Criteria 6.C.1.), on April 24th, 2013 an agreement has been signed, approved by the Board of Directors following the inputs provided by the Remuneration Committee, which details the treatment provided for in the event of the resignation/termination of the office or of the employment relationship. This document specifies the circumstances under which the onset of the right is determined and the different assumptions expected, indicating a maximum reached in the various cases. The document also provides for a non-competition agreement and a clause in the event that the termination was due to the achievement of inadequate results.

6. COMPENSATION OF KEY MANAGERS WITH STRATEGIC RESPONSIBILITIES

The Key Managers of the Issuer are identified by the Remuneration Committee in accordance with the law. The heads of the Group's primary functions and the Regional Market Director Europe are part of this cluster.

At December 31st, 2013 the Key Managers of Amplifon Spa were the following:

- Alberto Baroli, Chief Innovation & Development Officer
- Giovanni Caruso, Chief HR Officer
- Gilbert Ferraroli, Regional Market Director Europe
- Massimiliano Gerli, Chief Information Officer
- Ugo Giorcelli, Chief Financial Officer

The remuneration policies applicable to this cluster, and common to all Executives within the Group, are defined, within the Group's Global Reward Policy framework, by the CEO/GM, examined by the Remuneration Committee and approved by the Board of Directors.

Generally the Key Managers' compensation is comprised of the following:

- A gross yearly fixed salary
- Yearly variable compensation linked to achieving predefined Company targets (MBO)
- A medium/long term variable share component (Stock Options/Performance Stock Grant)
- Benefits

Tab. 5 Incidence of the remuneration components as a percentage of the total annual compensation (average)

	PAY MIX
Base salary	44%
Short Term variable component (MBO)	17%
Medium/Long Term variable component (LTI)	39%
Total Cash Compensation	100%

In keeping with the principles of Amplifon's Global Reward Policy, the Key Managers' pay mix consists of a significant variable component tied to results with a particular focus on sustainability and which gives more weight to the medium term variable component than to the short term one.

6.1 Base salary

Each year the Chief Executive Officer/General Manager, with the assistance of the Remuneration Committee, assesses the base salary of the Key Managers in light of reference market standards and proposes any changes deemed necessary based on the principles of the Group's Global Reward Policy and in light of the level of Total Remuneration per year.

6.2 MBO

Similar to that of the CEO/GM, the variable incentives of the Key Managers are linked to the Group's performance and results which makes it possible to evaluate the beneficiaries' performance each year. With regard to these components, each year the CEO/GM defines the parameters and targets to be used and, subsequently, verifies the results for the previous year.

More in detail, the following parameters, broken down by area of responsibility, were considered for 2014:

- EBITDA (Europe/Group)
- Free Cash Flow (Europe/Group)
- Net Sales (Europe/Group)
- RoS (EBIT/ Net Sales) (Europe/Existing Countries)
- Individual targets

The targets take into consideration the different factors deemed part of a balanced performance and reflect the priorities indicated in the Company's plans. The total incentive is equal to the sum of the single bonuses payable upon achieving the relative targets.

The targets to be reached are calculated on the basis of pre-determined exchange rates and the perimeter at the beginning of the reference fiscal year and, therefore, exclude any extraordinary transactions (such as, for example, acquisitions, mergers, sale of companies or divisions, restructuring operations) not specifically planned for which could have significantly impact results.

In the event the targets for EBITDA, Net Sales, Free Cash Flow and RoS are exceeded a booster in continuum will be applied which allows for a payout of up to 200% of the EBITDA target and up to 150% of the Net Sales,

Free Cash Flow and RoS targets. The Net Sales, Free Cash Flow and RoS booster will be applied only in the event the EBITDA threshold is reached.

The only further condition for the payout, in addition to the targets achievement, is that the beneficiary must be employed for the whole performance year and consequently until December 31st of the reference year.

Tab. 6 Regional Market Director/Chief Functional Officers' targets (2014)

	REGIONAL MARKET DIRECTOR		CHIEF FUNCTIONAL OFFICERS	
	WEIGHT	BOOSTER(*)	WEIGHT	BOOSTER(*)
EBITDA EU/Group	30%	X2	25-30%	X2
Free Cash Flow EU/ Group	15%	X1.5	20%	X1.5
Net Sales EU/ Group	20%	X1.5	20%	X1.5
RoS (EBIT/Net Sales) EU/Existing Countries	15%	X1.5	15-10%	X1.5
Individual objectives	20%	-	20%	-

(*) when the target is overachieved

The incentive tied to individual objectives is determined on the basis of the performance appraisal conducted yearly using Amplifon's current Performance Management Process or PMP.

6.3a LTI 2011-2013 (cash)

The three year Long Term Incentive Plan (LTI) 2011-2013 for the Key Managers is similar to the Chief Executive Officer/General Manager's plan. In the event targets are reached, the participant receives the LTI calculated as a percentage of his/her gross annual salary in light of the impact that the position held has on business results. Retention is also one of the objectives of the LTI plan for the Key Managers: in the event the employee relationship should be terminated for any reason, the beneficiary is no longer considered part of the Plan and, consequently, the three year incentive will not be paid, not even pro-rata.

6.3a New LTI (share)

On December 18th 2013, the Board of Directors, on advise of the Remuneration Committee, has approved the introduction of a new share based LTI incentive, which will start in 2014 and will be addressed to three clusters, comprehensive of the Executive cluster in which the Key Managers are included (see Part 1 - paragraph 3.3 for details). The new system has a temporal framework of 3.5 years for each plan and is based on an annual based "rolling" mechanism with periodical cumulate *targets* (EBIT/Net Sales). The details of the new plan will be submitted to the March 5th 2014 Board of Directors' meeting for approval and, for the pertaining topics linked to the financial instruments, to the subsequent April 16th 2014 Shareholders' Meeting.

6.4 Stock Options/Performance Stock Grant

The Key Managers are currently beneficiaries of the Stock Option plans approved in 2005, 2008, 2009 and 2010 and of the Performance Stock Grant Plan 2011-2020 (the details of the assignments made under these plans are shown in Part 2 – Table 2 of this statement).

6.5 Additional insurance coverage

The Key Managers are covered, together with all the executives of Amplifon SpA, by a life insurance policy (only in the event of death) which is in addition to what is provided under the National Collective Labour Contract (*CCNL Commercio*) through the Antonio Pastore Fund. The policy will cover up to a maximum of € 360,000 which is the level under which an anamnestic questionnaire need not be filled out. The premium varies depending on the actuarial age of the insured and is determined definitively when coverage begins.

All of the Amplifon SpA executives, including the the Key Managers, also have medical coverage which provides for the refund of expenses, in addition to standard FASDAC coverage, and an annual medical check-up.

6.6 Benefits

The the Key Managers are beneficiaries of a Company car in accordance with and pursuant to Amplifon's Company car policies.

In 2012 the Company has introduced a flexible benefits program on a trial basis. Under this plan Key Managers, as well as all employees of Amplifon S.p.A, may select, within a predetermined budget and in accordance with the law (art. 100, comma 1 of TUIR) options which best fit his/her needs with a particular focus on education/culture and healthcare not provided for as part of the coverage referred to in paragraph 6.5.

6.7 Indemnity in the event of resignation, dismissal or termination

To date, there are no agreements regarding indemnity to be paid in the event of resignation, dismissal without cause or termination following a takeover bid, nor are there any agreements based on which non-cash benefits should be provided or maintained if the employee relationship is terminated.

6.8 Responsible of the Internal Audit function

The remuneration of the manager of the "Internal Audit" function is in line with the Remuneration Policy of the Group and consistent with the role / task assigned to him/her. In particular, the base salary is commensurate with the market benchmark of listed companies and to the levels of performances evaluated

on the basis of individual goals set annually and key competences required by the position. The variable incentive is linked, as well as all Managers of Amplifon SpA to Group results and to a positive evaluation of individual objectives mentioned above.

7. MAIN CHANGES WITH RESPECT TO THE PRIOR YEAR

The Global Reward Policy 2014 confirms, in terms of both principles of levers and remuneration mechanisms, the setting applied with satisfactory results in previous years. Given the difficult macroeconomic environment and global trends in reward has been paid particular attention to:

- The differentiation within the salary review actions;

- The continuous alignment between the reward systems and the Company's strategic and operative priorities. To this end, it has been proposed and approved the inclusion of a target related to specific focuses at Group, Region and Country level, within the Variable Short Term Incentive (MBO) parameters. At Group level, the target has been identified in the RoS (EBIT/Net Sales) Existing Countries, which has consequently been added to the target parameters of the CEO/GM and of the Key Managers with strategic responsibilities.

- The simplicity and economic sustainability of the overall reward systems. Following this input, on December 18th 2013, the Board of Directors, on advice of the Remuneration Committee, has approved the introduction of a new share based LTI incentive, which will start in 2014 and will be addressed to three clusters:
 - o CEO/GM, Executives and Senior Managers, with targets linked to the Group Strategic 3Yr. Plans;
 - o International Key Managers and Talents, linked to the individual performance in their jobs;
 - o 10% of the best Acousticians and Sales Managers, at different organizational level

The details of the new LTI plan will be submitted to the approval of the Board of Directors on March 5th and, for the pertaining topics linked to the financial instruments, to the subsequent April 16th 2014 Shareholders' Meeting.

- The current Performance Stock Grant Plan 2011-2020, in depletion, will be replaced with the new mentioned Plan. All terms and conditions of the current plan remain unchanged.

PART 2

DEFINITIONS

All charts included in this section are defined following the current Consob Regulation (Resolution n.18049) available on the Consob website in the “Legal Framework” area (www.consob.it).

Table 1 – Compensation paid to the Directors, Statutory Auditors, the Chief Executive Officer/General Manager and the other Key Managers of the Issuer

Fixed compensation: this item includes the emoluments approved by the Shareholders, the compensation received by the Chairman of the Board and the Honorary Chairman and the fixed salaries including social charges and taxes for which the employee is responsible.

Committee attendance fees: this item includes any emoluments received for acting as Chairman or a member of any Board committees and/or the Supervisory Board (“Organismo di Vigilanza”) calculated in accordance with the criteria determined by the Board of Directors (please see Part 1 – Chapter 4 “Directors’ Compensation”). The committees to which the Directors belong (and the office held), along with the compensation received, are shown in note.

Bonuses and other incentives: this item includes amounts vested, even if not paid during the year, for having achieved the targets established under the short term variable incentive plans (see Part 1 – paragraph 3.2 “Short term variable incentive – MBO”) benefiting the Chief Executive Officer/General Manager and the Key Managers. In this section are also included bonus pertaining to the year but not included in specific plans. This amount is equal to the amounts shown in Table 3B, in the columns “Bonuses payable/paid in the year”, “Bonuses from previous years paid/payable” and “Other bonuses”.

Profit sharing: at 31 December 2013 no profit sharing had taken place.

Fringe benefits: this item includes taxable fringe benefits such as insurance policies and additional health care coverage. Is also included the value of the Flexible Benefits assigned in 2013 to Key Managers.

Other compensation: at 31 December 2013 no forms of remuneration for services which may be considered indirect compensation existed.

Fair Value Equity Compensation: the fair value at the allocation date of any grants made pursuant to incentive plans based on financial instruments (see Part 1 – paragraph 3.3 “Medium/long term variable compensation (share)”) is shown estimated in accordance with international accounting standards. This amount is equal to

the sum of the amounts shown in Table 2 in the column “Options pertaining to FY 2013” and in the Table 3A in the column “Financial Instrument pertaining to FY 2013”.

Termination allowance: this item includes the indemnities owed the Directors for termination during the year considered. As explained in Part 1 – paragraph 4.2 “*Indemnity in the event of termination*”, to date there are no agreements which provide for indemnities in the event of advance termination of the relationship.

Table 2 – Stock Options assigned to the Directors, Chief Executive Officer/General Manager and the other Key Managers of the Issuer

With regard to the incentive plans based on financial instruments, detailed information can be found in the compensation schemes called for under Art. 114-bis of Testo Unico della Finanza or TUF (Legislative Decree n. 58 of 24 February 1998) and pursuant to Art. 84-bis of the Issuers’ Regulations (CONSOB Resolution n. 11971/99), as well as Annex 3A, Form 7 of the Issuers’ Regulations, which can be found on the Company’s website www.amplifon.com in the Investors section.

Options held at the beginning of the period: the following is shown for the Chief Executive Officer/General Manager and, as an aggregate, for Key Managers. For each stock option plan is indicated:

- the number of options held at the beginning of the period;
- the exercise price for each plan;
- the exercise period as per the plan regulations.

Options granted during the period: no stock options were assigned during 2013 to the CEO/GM or the Key Managers

Options exercised during the period: the following is shown for the Chief Executive Officer/General Manager and, as an aggregate, for Key Managers. For each stock option plan is indicated:

- the number of options exercised in the period;
- the strike price;
- the average market price on the dates of the exercises.

Options expired during the period: no options expired in 2013

Options pertaining to the period (FY 2013): the fair value at the date of allocation of any options related to the year under examination is shown, estimated in accordance with international accounting standards. The

sum of this amount with the amounts showed in Table 3A column “Financial Instruments pertaining to FY 2013” is equal to the amounts shown in Table 1, in the column “Fair Value – Equity compensation”.

Table 3A – Incentive plans based on financial instruments, other than stock options, benefiting the Directors, the Chief Executive Officer/General Manager and the other Key Managers of the Issuer

With regard to the incentive plans based on financial instruments, detailed information can be found in the compensation schemes called for under Art. 114-bis of Testo Unico della Finanza or TUF (Legislative Decree n. 58 of 24 February 1998) and pursuant to Art. 84-bis of the Issuers’ Regulations (CONSOB Resolution n. 11971/99), as well as Annex 3A, Form 7 of the Issuers’ Regulations, which can be found on the Company’s website www.amplifon.com in the Investors section.

Financial instruments assigned in previous years not already vested: in the previous year no financial instruments, other than stock options, were assigned to CEO/GM and to Key Managers.

Financial instruments assigned in the period: the following is shown for the Chief Executive Officer/General Manager and, as an aggregate, for Key Managers:

- The number of financial instruments assigned in the period;
- The Fair Value at the Grant Date;
- The Vesting Period of the plan;
- The Date of the Grant;
- The share market price at Grant Date.

Financial instruments vested in the period and assignable/not assigned: in the period no plan has vested

Financial instruments pertaining to the period (FY 2013): the fair value at the date of allocation of any financial instruments related to the year under examination is shown, estimated in accordance with international accounting standards. The sum of this amount with the amounts showed in Table 2 column “Options pertaining to FY 2013” is equal to the amounts shown in Table 1, in the column “Fair Value – Equity compensation”.

Table 3B – Cash-based incentive plans benefiting the Directors, the Chief Executive Officer/General Manager and the other Key Managers of the Issuer

Bonus pertaining to the year: for the Chief Executive Officer/General Manager's and, as an aggregate, for the Key Managers' are indicated short term variable incentive plans and the medium/long term variable incentive plans:

- bonuses pertaining to the year, vested after having reached the targets for the year and payable insofar as they are not subject to other conditions (with one exception, as noted, that the beneficiary must be with the Company on the date in which the Consolidated Financial Statement for 2013 is approved);

- bonuses deferred: tied to targets achieved in the year but not payable insofar as they are subject to other conditions;

- deferment period for the different bonuses.

Bonuses pertaining to previous years: this item includes for the Chief Executive Officer/General Manager and, as an aggregate, for Key Managers in the "Still deferred" column the bonus pertaining to previous years still to be paid at the beginning of the period and further deferred.

Other bonuses: this item includes one-off bonuses paid in the year but not included in specific plans.

Table 7ter – Shareholdings of Directors, Auditors, General Directors and Issuer's Key Managers (with strategic responsibilities)

At December 31st 2013, no member of the Control Bodies, including the Chief Executive Officer/General Manager and no Key Manager with strategic responsibilities have any shareholding in addition to:

- The significant interests in share capital as indicated in the Corporate Governance Statement;
- The potential Stock Options/Performance Stock Grant exercises as mentioned in the previous tables.

TABLES

Table 1 - Compensation paid to the Directors, Statutory Auditors, the Chief Executive Officer/General Manager and the other Key Managers of the Issuer

Table 2 - Stock Options assigned to the Directors, Chief Executive Officer/General Manager and the other Key Managers of the Issuer

Table 3A – Incentive plans based on financial instruments, other than stock options, benefiting the Directors, the Chief Executive Officer/General Manager and the other Key Managers of the Issuer

Table 3B - Cash-based incentive plans benefiting the Directors, the Chief Executive Officer/General Manager and the other Key Managers of the Issuer

Table 1 - Compensation paid to the Directors, Statutory Auditors, the Chief Executive Officer/General Manager and the other Key Managers of the Issuer

(Euro/000)

First Name and Surname	Office Held	Period in which the office has been held	Term of office	Fixed Compensation	Committee attendance fees	Variable compensation		Fringe benefits	Other compensation	Total	FV Equity compensation	Termination allowance
						Bonuses and other incentives	Profit sharing					
Anna Maria Formiggini	Honorary Chairman	01/01/2013-31/12/2013	Approval 2015 Financial Statement	€ 190	-	-	-	-	-	€ 190	-	-
Susan Carol Holland	Chairman	01/01/2013-31/12/2013	Approval 2015 Financial Statement	€ 200	-	-	-	€ 4	-	€ 204	-	-
Franco Moscetti	CEO	01/01/2013-31/12/2013	Approval 2015 Financial Statement	€ 300	-	-	-	-	-	€ 300	-	-
	General Manager	Permanent		€ 708	-	€ 612	-	€ 7	-	€ 1.327	€ 284	-
Giampio Bracchi ⁽¹⁾	Independent Director	01/01/2013-31/12/2013	Approval 2015 Financial Statement	€ 55	€ 50	-	-	-	-	€ 105	-	-
Maurizio Costa ⁽²⁾	Independent Director	01/01/2013-31/12/2013	Approval 2015 Financial Statement	€ 55	€ 25	-	-	-	-	€ 80	-	-
Luca Garavoglia ⁽³⁾	Independent Director	17/04/2013-31/12/2013	Approval 2015 Financial Statement	€ 55	€ 45	-	-	-	-	€ 100	-	-
Andrea Guerra ⁽⁴⁾	Independent Director	01/01/2013-31/12/2013	Approval 2015 Financial Statement	€ 55	€ 15	-	-	-	-	€ 70	-	-
Umberto Rosa	Independent Director	01/01/2013-17/04/2013	Approval 2012 Financial Statement	-	-	-	-	-	-	€ -	-	-
Giovanni Tamburi	Independent Director	17/04/2013-31/12/2013	Approval 2015 Financial Statement	€ 55	-	-	-	-	-	€ 55	-	-
Giuseppe Levi	Chairman of the Board of Auditors	01/01/2013-31/12/2013	Approval 2014 Financial Statement	€ 45	-	-	-	-	-	€ 45	-	-
Emilio Fano	Standing Auditor	01/01/2013-31/12/2013	Approval 2014 Financial Statement	€ 30	-	-	-	-	-	€ 30	-	-
Maria Stella Brena	Standing Auditor	01/01/2013-31/12/2013	Approval 2014 Financial Statement	€ 30	-	-	-	-	-	€ 30	-	-
Total				€ 1.778	€ 135	€ 612	€ -	€ 11	€ -	€ 2.536	€ 284	€ -
Other Key Managers (with strategic responsibilities) ⁽⁵⁾		Permanent		€ 1.314	-	€ 522	-	€ 108	-	€ 1.944	€ 448	-
Grand Total				€ 3.092	€ 135	€ 1.134	€ -	€ 119	€ -	€ 4.480	€ 732	€ -

(1) Compensation received for being part of the Internal Control Committee - €25,000; Compensation received for being part of the Supervisory Board ("Organismo di Vigilanza") - €25,000

(2) Compensation received for acting as the Chairman of the Remuneration and Appointment Committee - €25,000

(3) Compensation received for acting as the Chairman of the Supervisory Board ("OdV")- €15.000; Compensation received for acting as the Chairman the Internal Control Committee - €15,000; Compensation received for being part of the Remuneration and Appointment Committee - € 15,000

(4) Compensation received for being part of the Remuneration and Appointment Committee - € 15,000

Table 2 - Stock Options assigned to the Directors, Chief Executive Officer/General Manager and the other Key Managers of the Issuer

First Name and Surname	Office Held	Plan (when approved)	Options held at the beginning of the period			Options granted	Options exercised during the period			Options expired during the period	Options held at the end of the period	Options pertaining to FY 2013
			No. Of Options	Exercise price	Exercise period	No. Of Options	No. Of Options	Exercise price	Average market price on the date of exercise			
Franco Moschetti	CEO and General Manager	Plan 2005 - CEO (14/03/2005)	402,000	€ 3.994	(1/3) 14/03/2006 - 14/03/2013 (1/3) 14/03/2007 - 14/03/2014 (1/3) 14/03/2008 - 14/03/2015	-	159,770	€ 3.994	€ 4.156	-	242,230	
		Plan 2005 - ITA (30/09/2005)	200,000	€ 5.713	(1/3) 30/09/2006 - 30/09/2015 (1/3) 30/09/2007 - 30/09/2015 (1/3) 30/09/2008 - 30/09/2015	-	-	-	-	-	200,000	
Total					-	-	-	-	-		442,230	
Other Key Managers (with strategic responsibilities) (5)		Plan 2005 (30/09/2005)	50,000	€ 5.697	(1/3) 30/09/2006 - 30/09/2016 (1/3) 30/09/2007 - 30/09/2017 (1/3) 30/09/2008 - 30/09/2018	-	-	-	-	-	50,000	
		Plan 2005 - ITA (30/09/2005)	50,000	€ 5.713	(1/3) 30/09/2006 - 30/09/2015 (1/3) 30/09/2007 - 30/09/2015 (1/3) 30/09/2008 - 30/09/2015	-	-	-	-	-	50,000	
		Plan 2009 (6/11/2009)	62,500	€ 2.837	(1/2) 7/11/2011 - 7/11/2016 (1/2) 7/11/2012 - 7/11/2017	-	62,500	€ 2.837	€ 3.931	-	0	
		Plan 2010 (16/12/2010)	250,000	€ 3.746	(1/2) 17/12/2012 - 17/12/2017 (1/2) 17/12/2013- 17/12/2018	-	22,562	€ 3.746	€ 4.353	-	227,438	67
Total					-	-	-	-	-		327,438	67

Table 3A - Incentive plans based on financial instruments, other than stock options, benefiting the Directors, the Chief Executive Officer/General Manager and the other Key Managers of the Issuer

(Euro/000)

First Name and Surname	Office Held	Plan (when approved)	Financial instruments assigned in previous periods not already vested	Financial instruments assigned in the period					Financial instruments vested in the period and not assigned	Financial instruments vested in the period and assignable	Fair value of the financial instruments pertaining to FY 2013
				No. Of Financial Instruments	Fair value at grant date	Vesting Period	Date of Grant	Share Market Price at Grant Date			
Franco Moscetti	CEO and General Manager	Performance Stock Grant Plan 2011-2020 (December 13th, 2010)	300,000	-	-	-	-	-	-	-	284
Other Key Managers (with strategic responsibilities) (5)		Performance Stock Grant Plan 2011-2020 (December 13th, 2010)	235,000	-	-	-	-	-	-	-	222
			-	280,000	€ 3.560	Approval 2016 Financial Statement	02/05/2013	€ 3.844	-	-	159
Total			535,000	280,000							665

Table 3B - Cash-based incentive plans benefiting the Directors, the Chief Executive Officer/General Manager and the other Key Managers of the Issuer

(Euro/000)

First Name and Surname	Office Held	Plan (when approved)	Bonuses pertaining to the year			Bonuses pertaining to previous years			Other bonuses
			Payable/Paid	Deferred bonuses	Deferment period	No longer payable	Payable/Paid	Still deferred	
Franco Moscetti	CEO and General Manager	LTI Plan 2011-2013 (March, 4th 2011)	-	€ 216	April 2014 (approval 2013 Consolidated Financial Statement)	-	-	€ 1,504	-
		MBO Plan 2013(*)	€ 612	-	-	-	-	-	-
Total		-	€ 612	€ 216	€ -	€ -	€ -	€ 1,504	€ -
Other Key Managers (with strategic responsibilities) (5)		LTI Plan 2011-2013 (March, 4th 2011)	-	€ 201	April 2014 (approval 2013 Consolidated Financial Statement)	-	-	€ 1,480	-
		MBO Plan 2013(*)	€ 522	-	-	-	-	-	-
Total		-	€ 522	€ 201	-	€ -	€ -	€ 1,480	-

(*) Subject to: business targets achievements as defined in the Plan and employment in the Company when the Draft Consolidated Financial Statement for the year 2013 will be approved (Bod March 5th, 2014)